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# Bureau Update

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BOSTON MUNICIPAL RESEARCH BUREAU

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- **SAVE THE DATE**  
**MARCH 5, 2002**  
**BUREAU'S 70<sup>th</sup> ANNUAL MEETING OF**  
**MEMBERS & DIRECTORS**

Keynote speaker, Mayor Thomas M. Menino. The Seaport Hotel - Noon. Watch your mail for more details or call Diane Smith 617 227-1900.
- Mayor Menino reappointed Elizabeth Reilinger to another 4-year term on the School Committee. Dennis Wright of Roslindale was also appointed to a 4-year term replacing Robert Gittens. Dennis is the Executive Director of the Urban Law and Public Policy Institute at Northeastern, a graduate of BPS and the parent of BPS students.
- Boston City Councilor At-Large Michael Flaherty, Jr. was elected Council President on January 7<sup>th</sup>. The Council recessed for an extended period after the first ballot did not yield the required 7 votes for any candidate. Flaherty received 8 votes on the second ballot. Committee assignments are expected to be made prior to the end of the month.
- Also on January 7<sup>th</sup>, the 7-member School Committee re-elected Elizabeth Reilinger as Chair of the School Committee and elected Marchelle Raynor as the Vice-Chair.

## TAX RATES RISE, VALUES SLOW

Boston's residential and business tax rates for FY02 increased for the first time in 7 years, to \$11.01 and \$30.33, respectively per \$1,000 of value. The tax rates were certified by the DOR on December 19, 2001. Boston's taxable assessed value was approved at \$54.2B, an increase of \$3.7B or 7.3%. The City's FY02 tax levy of \$972.2M increased by \$54.5M or 5.9%, with \$22.8M from the 2½% increase and \$31.7M from new growth.

Growth in residential and commercial property values was less than FY01, due in large part to the fact that FY01 was a revaluation year. The assessed values for FY02 are set as of January 1, 2001, which means they reflect the market values of the last quarter of calendar year 2000.

Residential values continue to comprise the larger share of the City's taxable value at 58.6%, while business property represents 41.4%. However, due to the City's implementation of full classification, business property pays 69.9% of the levy, while residential property pays 30.1%.

### Property Valuation, Tax Levy and Rates

VALUE in 000's	FY01	FY02	Change	% Change
Residential	\$29,227,208	\$31,774,558	\$2,547,350	8.7%
Commercial	17,937,637	18,905,256	967,619	5.4%
Industrial	633,441	619,670	(13,771)	-2.2%
Personal	2,696,228	2,889,815	193,587	7.2%
<b>TOTAL</b>	<b>\$50,494,514</b>	<b>\$54,189,299</b>	<b>\$3,694,785</b>	<b>7.3%</b>
TAX LEVY in 000's	\$917,750	\$972,234	\$54,484	5.9%

### TAX RATES

Residential	\$10.58	\$11.01	\$0.43	4.1%
CIP	\$30.17	\$30.33	\$0.16	0.5%

## FY02 CITY BUDGET REVISED AT MID-YEAR

The City has revised its FY02 general fund budget, and projects a \$3.4M decline from the adopted budget. By setting its tax rate in December, the City is able to factor in the most current revenue and expenditure estimates and the impact of the finalized state budget.

On the revenue side, the City projects an increase in state aid of \$11.7M, to \$550.5M. Included in this amount is \$12.0M in FY01 funds for school transportation and tuition for state wards, which the City chose to apply to FY02.

Without this rollover, state aid for FY02 would be down by \$300,000 from the adopted budget. Elsewhere, the City expects revenues to drop in PILOT payments from Massport (-\$6.5M) and room occupancy and jet fuel excises (-\$5.3M combined). Expenditures are projected to decrease commensurate with revenues due primarily to reductions in spending for debt service and pensions. These figures do not reflect grant funds for specific programs.

## BOSTON HIGH AS A PILOT SCHOOL?

Faced with the possibility of the closing of Boston High in the South End, the Headmaster and teachers received conditional approval to create a new Pilot school at the facility. They must present a more formal program and governance proposal later this year. If approved, the Pilot school will open for the 2003-2004 school year. If it is not approved, the facility will be used for other programs, possibly housing the Quincy Upper School. Initially, the Superintendent intended to phase out Boston High as a comprehensive high

school because of poor academic performance and because meeting accreditation requirements would require capital infrastructure costs estimated at \$8.0M.

*If Boston High could not meet the accreditation standards of the New England Association of Schools and Colleges (NEASC), why is it possible to plan for a Pilot school in the same facility? The answer seems to be that Pilot schools are considered new programs and do not fall under the same School Department standards as*

comprehensive high schools, and currently are not required to be accredited. A few Pilot schools have taken the initiative to apply for NEASC accreditation after establishing their program. New programs and schools need to establish a process to meet the standards before they can begin applying for accreditation candidacy. Using the Boston High facility as a Pilot school will require some capital spending for infrastructure improvements.

## PERSONAL PROPERTY BREAK

Small businesses in Boston that have \$10,000 or less in personal property value do not have to pay taxes on this property in FY02. That's because in August, the Mayor and City Council accepted a new local option law, proposed by the Menino Administration, that allows municipalities to establish a minimum fair cash value required for personal property accounts to be taxed. The City accepted the maximum level of \$10,000. This did not reduce the total personal property tax due but it did cause a minor increase in the business tax rate.

Approximately, \$17.8M of value was exempted, leaving the taxable personal property value at \$2.9B. The exemption reduced the number of taxable accounts by 64.1% from 8,559 to 3,072. Businesses that must apply for a personal property exemption have until April 1, 2002 to do so. The personal property tax in Massachusetts is primarily a tax on the poles, underground conduits, wires and pipes of utilities but also includes "tangible" or physical property such as office computers or tools in some cases or office furnishings.

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For more information on personal property taxes call the Assessing Department at (617) 635-1165 or TRAC at (617) 635-4287

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## PROP. 2½ AT 20

Proposition 2½, the vehicle to control utilization of property taxes to fund local services, is 20 years old this year. This initiative has reduced Boston's reliance on the property tax but its success has depended on increased state aid to insure adequate resources to provide services. When approved by the voters in November 1980, property taxes in Boston represented 67.5% of total operational revenues, excluding hospital receipts. State aid provided only 25.6% of general fund revenues. Since the full implementation of Proposition 2½ in FY82, Boston's reliance on the property tax in FY02 has been reduced to 52.4%, while state aid has grown to 31.1%. Boston's reliance on the property tax and state aid has declined slightly from 93.1% in FY81 to 83.5% in FY02 (excluding hospital receipts) as other revenue sources have been authorized or produced larger revenues.

AS % of TOTAL REV.	FY81	FY84	FY90	FY97	FY02 *
Property Tax	67.5%	41.0%	41.7%	51.5%	52.4%
State Aid	25.6%	38.0%	36.2%	30.1%	31.1%
Property Tax & State Aid	93.1%	79.0%	77.9%	81.6%	83.5%

\* Budget

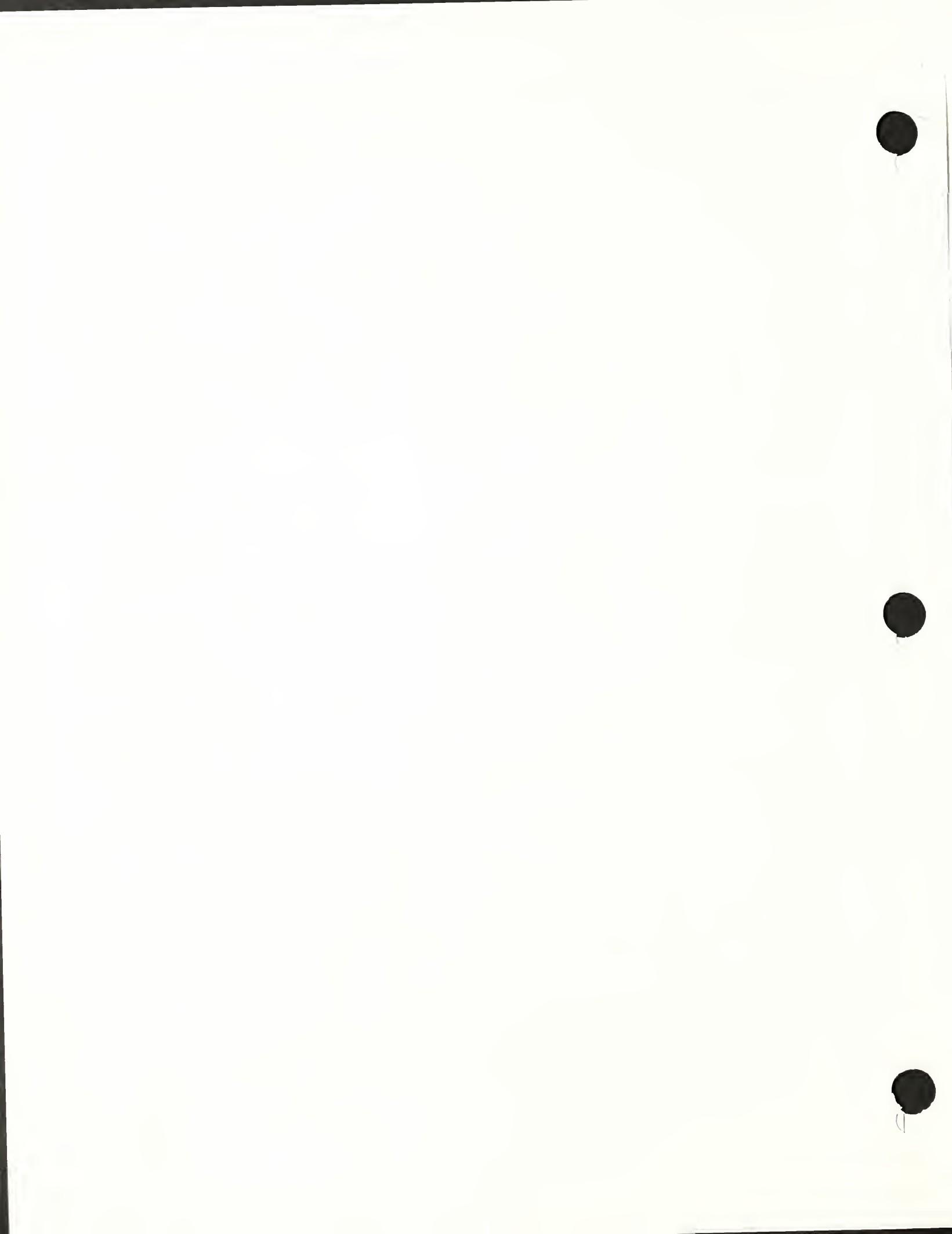
The primary limit of Proposition 2½, the levy ceiling, prohibits the tax levy from exceeding 2.5% of the full and fair cash value of all taxable property. Because the levy represented 27.3% of the taxable value in FY81, Boston was required to reduce its levy by \$185.4M or 35.8% in FY82, FY83 & FY84. State aid during this time increased by \$102.0M or 54.3%. The need to cut the tax levy motivated the City to revalue its taxable property in FY83 to \$12.2B, up from \$1.9B in FY82. Taxable property is now valued at \$54.2B. Because of the second limit, (levy limit) that prohibits the tax levy from exceeding the previous year's levy limit by more than 2.5%, plus allowable new growth, the City's tax levy did not exceed its FY81 level until FY90, 9 years later. Since then, the property tax levy has increased by \$453.1M or 87.3% in 12 years, in good part due to new growth. State aid has increased by 28.4% over this time. The future workability of Proposition 2½ for Boston will depend on the outlook for continued new development and increased state aid, both of which are expected to be limited next year.

## DEMOGRAPHICS

## City of Boston General Information on Hospitals 2000

<u>Institutions</u>	<u>Type</u>	<u>Funding</u>	<u>Capacity (beds)</u>	<u>Census per day [1]</u>	<u>Percent Occupancy</u>	<u>FTE</u>	<u>2000 Personnel</u>	<u>2000 Births</u>
1 Arbour Hospital	Psychiatric / Respiratory	Owned / For Profit	118	N/A	N/A	N/A	N/A	N/A
2 Beth Israel Deaconess Medical Center [2] [3]	General Medical & Surgical	Not for Profit	589	460	78.1%	6,482	4,902	
3 Boston Medical Center [4]	General Medical & Surgical	Not for Profit	354	332	93.8%	4,821	1,809	
4 Brigham and Women's Hospital [5]	General Medical & Surgical	Not for Profit	694	572	82.4%	7,624	9,718	
5 Carney Hospital [6]	General Medical & Surgical	Church / Not for Profit	174	135	77.6%	1,032	0	
6 Children's Hospital	Children's General	Not for Profit	324	240	74.1%	4,491	0	
7 Dana-Farber Cancer Institute [5]	Other Specialty	Not for Profit	30	21	70.0%	2,440	0	
8 Faulkner Hospital [5]	General Medical & Surgical	Not for Profit	125	83	66.4%	749	0	
9 Franciscan Children's Hospital & Rehab Center [7]	Children's Rehabilitation	Not for Profit	60	50	83.3%	496	0	
10 Hebrew Rehabilitation Center For Aged	Other Specialty	Not for Profit	725	695	95.9%	822	0	
11 Jewish Memorial Hospital & Rehabilitation Center	Other Specialty	Not for Profit	110	N/A	N/A	N/A	N/A	N/A
12 Kindred Hospital of Boston [8]	Other Specialty	Owned / Profit	59	N/A	N/A	N/A	N/A	N/A
13 Lemuel Shattuck Hospital	General Medical & Surgical	State / Not for Profit	230	N/A	N/A	N/A	N/A	N/A
14 Massachusetts Eye and Ear Infirmary	Eye, Ear, Nose & Throat	Not for Profit	42	20	47.6%	1,169	0	
15 Massachusetts General Hospital [5]	General Medical & Surgical	Not for Profit	853	633	74.2%	11,665	2,702	
16 New England Baptist Hospital [3]	General Medical & Surgical	Not for Profit	162	96	59.3%	889	0	
17 New England Medical Center [9]	General Medical & Surgical	Not for Profit	323	274	84.8%	3,767	1,491	
18 Shriners Hospitals for Children [10]	Children's Other Specialty	Not for Profit	30	19	63.3%	243	0	
19 Spaulding Rehabilitation Hospital [5]	Rehabilitation	Not for Profit	333	299	89.8%	1,443	0	
20 St. Elizabeth's Medical Center of Boston [6]	General Medical & Surgical	Church / Not for Profit	247	239	96.8%	2,570	1,602	
21 Veterans Affairs Boston Healthcare System [11]	General Medical & Surgical	Veteran's Admin.	188	193	102.7%	3,424	0	
<b>Grand Totals</b>			<b>5,770</b>	<b>4,361</b>	<b>75.6%</b>	<b>54,127</b>	<b>22,224</b>	

[1] Does not include newborns. [2] Beth Israel Hospital merged with New England Deaconess Hospital to create Beth Israel Deaconess Medical Center. [3] These specific hospitals fall under the umbrella of CareGroup, but are separate hospitals. [4] Boston City Hospital, Boston Specialty and Rehabilitation Hospital, and Boston University Medical Center merged to form Boston Medical Center. [5] These specific hospitals now fall under the umbrella of Partner's HealthCare, but are separate hospitals. [6] These specific hospitals fall under the umbrella of Caritas Christi Health Care, but are separate hospitals. [7] Formerly Joseph P. Kennedy, Jr. Memorial Hospital. [8] Formerly Vencor Hospital of Boston. [9] This hospital falls under the umbrella of the Lifespan Corporation. [10] Affiliated with Massachusetts General Hospital. [11] Formerly Veterans Affairs Medical Center.



# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

February/March 2002

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## A Special Election ...

- will be held to fill Daniel F. Conley's vacated District 5 City Council seat.
  - ✓ Preliminary election - May 7<sup>th</sup>
  - ✓ Final election - June 4<sup>th</sup>

Currently, five candidates have submitted papers to run for the office. Certification will occur on April 4<sup>th</sup>. Conley was appointed as interim Suffolk County DA by Governor Swift in February to fill the vacancy created by the departure of DA Ralph Martin. Voters will elect the DA to a full 4-year term in the November 5<sup>th</sup> state election.

## School Budget Woes



School officials are working around the clock to close a \$41M gap in the FY03 school budget. An additional \$3M in new priorities for FY03 also needs funding. Currently, 75% of the proposed cuts do not directly impact individual school budgets. Recent proposals would cut 313 positions. On March 27<sup>th</sup> the School Committee will vote on a final budget that will be submitted to the Mayor. The budget target from the Mayor is a level-funded \$637.5M.

## BOSTON SELLS BONDS

Reflecting the City's solid financial position and a favorable capital market, Boston sold \$100M of General Obligation bonds in February at an interest rate of 4.4%. Using an electronic bid system, the City received 5 bids with J.P. Morgan Securities, Inc. being the low bidder. The sale of \$100M is less than the \$120M in GO bonds sold by the City over the past 2 years. Boston also sold \$62M in bond anticipation notes at 3.3% to Morgan Stanley, Dean. These proceeds will help fund the costs of the construction of 3 new schools expected to open in September. Moody's affirmed Boston's rating of Aa2, while both Standard and Poor's and Fitch affirmed the City's rating of AA-.

## KEYNOTE SPEECH BY MAYOR

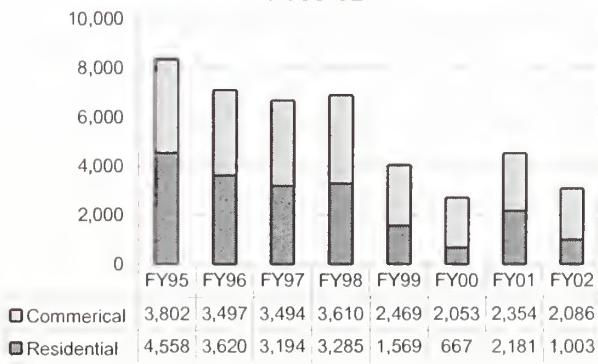
Governing with conviction. That is the message that Mayor Menino left the crowd of over 500 business, civic and government leaders gathered for the 70<sup>th</sup> Annual Meeting of the Boston Municipal Research Bureau. The Mayor took this opportunity to emphasize the need to keep priorities in tact and balance a budget that puts people first. A few of the proposals put forth by the Mayor are:

- A 1% meals tax - more than \$15M
- Telecommunications "rental charge" - \$9M
- Raising towing fees - \$1.4M
- Buy 23,000 streetlights from NSTAR - \$2M
- Work with other cities in the region to solve problems
- Strengthen the summer jobs program
- Create a not for profit entity to plan, manage, maintain and operate the open space above the Central Artery
- Establish a tax district to assess property in the Central Artery area to support maintenance costs

## ABATEMENTS FY02

Abatement applications for FY02, the year after a revaluation year, have decreased by 32% from FY01 and mark the second lowest filing since FY85. Of the 3,089 applications filed, the commercial class decreased by 11% and residential decreased by 54%. The largest decline in application filings came from the one, two, and three family properties, which decreased by 61% from last year's filings. The reduction of abatement applications across all classes of property reflects the downward trend over past years and current market changes.

**City of Boston Abatement Applications  
FY95-02**



## NON-BPS ENROLLMENT

One quarter of Boston's school-aged children do not attend the Boston Public Schools (BPS) and a growing number of Black and Hispanic students are attending non-BPS schools. Of a total of 84,522 Boston school-aged children, 21,388 or 25% attend parochial, private or Charter schools or participate in the METCO program. That is a decline from the 1989-1990 school year when 29% of Boston's children attended non-BPS schools. Over this 11-year period, non-BPS enrollment declined by 6% while BPS enrollment increased by 13%, due entirely to the growth of students of color.

Reflecting the changing demographics of Boston over the past 11 years, the White enrollment in non-BPS schools declined by 29% while the non-White enrollment increased by 30%. Blacks are the second largest group enrolled in non-BPS schools at 41%, slightly preceded by Whites. Hispanic student enrollment has shown the largest increase at 96% while Black enrollment increased by 20%. Thus, even though the number of students enrolled in non-BPS schools has declined slightly over the past 11 years, the number of Black and Hispanic students attending non-BPS schools increased significantly. In the BPS, White student enrollment decreased by 28% while student of color enrollment increased by 25%.

### Boston School-Aged Students

BPS	% of 89-90		% of 00-01		% Change
	Total	Total	Total	Total	
White	12,727	16%	9,188	11%	-28%
Non-White	43,093	55%	53,946	64%	25%
Non-BPS	22,792	29%	21,388	25%	-6%
White	14,030	18%	10,007	12%	-29%
Non-White	8,762	11%	11,381	13%	30%
Total	78,612	100%	84,522	100%	8%

## CITY COUNCIL COMMITTEES

Council President Michael Flaherty has consolidated City Council committees from 28 to 22 this year. In a significant change endorsed by the Bureau, the Ways and Means Committee will be responsible for all city budget and financial matters, including the School Department budget. Over the past eight years, the Education Committee had responsibility over the school budget, which split the Council's financial oversight role. The chairs of selected committees for 2002 are shown below.

### COMMITTEE

Ways & Means  
Ed. & School  
Housing  
Gov't Ops.  
Economic Dev.

### CHAIR

Michael Ross  
Chuck Turner  
Maura Hennigan  
Maureen Feeney  
Brian Honan

## TAX EXEMPT PROPERTY

Institutions exempt from property taxes own 51% of the City's 45 sq. miles of real estate. Who owns the property is not well understood. A few facts:

- Of the 23 sq. miles of exempt property, 80% is publicly owned, and only 20% is privately owned.
- Religious institutions represent 7% of all exempt land, educational institutions represent about 6% and hospitals about 4%.
- PILOT payments to Boston totaled \$25.9M in FY01. Of this, Massport paid \$11.4M and universities & hospitals \$11.3M. Exempt institutions make a vital contribution to the regional economy. Through PILOT agreements, exempts also provide various services important to the City. This is an area the City and the exempt institutions may be able to focus on in the future to expand their partnership.

## HAYWARD PLACE

In the City's ongoing effort to stimulate economic development in the Lower Washington Street and Downtown Crossing areas,



the BRA is moving forward with plans to develop Hayward Place. This site is across the street from the Millennium project on Washington Street. Currently, the site is operated by the City as a surface parking lot of 64 spaces. The BRA selected 5 developers to participate in the second stage of its selection process. The price of the 37,380 sq. ft. site is set at \$23M, up from \$13M in the first stage. The selection will be based on the project's uses and design since the price is now fixed.

Developers are required to submit their second stage plans to the BRA on May 6<sup>th</sup>. The BRA is encouraging 18-hour activity with mixed-use development that includes residential and/or office uses. Ground floor space will be dedicated to retail uses, which could include a restaurant or maybe a supermarket. Proposals must include at least two levels of below-grade parking but not more than 3 levels or 290 spaces.

The BRA has indicated that the first \$13M of revenue will be allocated to provide gap funding for the development of the New Quincy Upper School in the South Cove/Chinatown vicinity. The remaining \$10M will be used for housing.

Some members of the Council have raised concerns regarding the BRA's taking of the city-owned land and its intent of keeping the proceeds from the sale and deciding how they will be spent. They argue that Council approval of the sale is required and that the Mayor and Council should decide how the funds would be utilized. This matter is being discussed in Council hearings at present.

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**RECYCLING vs. LIVING WAGE**

Boston's Living Wage ordinance and the City's recycling program are in the dumps, at odds with each other. Resolving the problem may require a waiver or a jump in Boston's trash disposal costs. Boston's 5 year refuse collection and disposal contracts (including recycling) will expire on June 30<sup>th</sup> and new bids are expected to increase total costs in FY03 by as much as \$13.0M or 45% over the current year. Recycling has not contributed to these costs since Boston has received payment for its paper in excess of the costs for its commingled glass, plastic and cans. That situation may now change, as the City is requiring the recycling firms to comply with the Living Wage ordinance and pay its workers \$10.54/hr. starting on July 1, 2002. The three national waste companies bidding generally pay their sorters \$7.50/hr. and are refusing to contract with the City if they have to pay the Living Wage. The Mayor's designated Director, the head of Jobs and Community Services, will soon decide on a waiver request from the DPW. The Cities of Cambridge and Somerville faced the same situation and granted waivers. Without recycling, Boston's disposal costs could increase further by over \$3.5M.

**FY03 BUDGET UPDATE**

The City Council's Ways and Means Committee is winding down its hearings on the Mayor's FY03 budget. To force the Mayor to resubmit the budget and give it more time to negotiate, the Council is expected to reject the budget without prejudice on June 12<sup>th</sup>. Based on the current House budget, Boston could receive \$40-\$55M more than anticipated in the Mayor's budget currently before the Council. Final state aid may differ slightly, but how will the City apply the new dollars?

- Fund collective bargaining?
- Increase funding for schools?
- Fund a new police class?
- Restore cultural grants?
- Restore the Finance Commission funding?
- No layoffs?
- Increase reserves?

ough the FY03 budget process is described as "belt tightening", the result for FY03 has been no real impact on basic services, minimal layoffs and the City's financial position remaining strong.

**Bureau Update**

BOSTON MUNICIPAL RESEARCH BUREAU

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**CITY BONDS LESS FOR BCEC**

The collection of \$60.5M in receipts in the City's Room Occupancy Excise Fund in excess of net debt service requirements has enabled Boston to issue a smaller amount of convention center special obligation bonds and save millions in interest costs over a period of 25 years. On April 15th, Boston sold long term special obligation bonds totaling \$116.9M at a true interest cost of 4.91%. In fiscal years 1999 and 2000, the City had sold a total of \$157.8M in Bond Anticipation Notes (BANs) to fund its purchase and preparation of the site for the Boston Convention & Exhibition Center (BCEC). Boston was able to convert \$157.8M of BANs into \$116.9M of permanent bonds by retiring \$40.9M of BANs with related receipts collected since 1998 in excess of net debt service needs.

**Where did the extra cash come from?**

- The sale of 260 hackney medallions (taxi licenses) was estimated to generate \$23.0M. In fact, the sale of 235 medallions has raised \$36.2M, \$13.0M more than expected. The remaining 25 handicapped medallions will be sold in fiscal years 2003 and 2004. The average price for the medallions was estimated at \$88,500 but the average sale was actually \$154,100.
- The City has been able to collect its 4.0% room excise from hotel/motel rooms that began operation since July 1, 1997 which as of March 31, 2002 total 2,569. The room rate and occupancy rate of these rooms generally have been greater than original estimates, thus producing larger receipts.

**WILL COSTS EXCEED \$157.8M?**

It will be close. To purchase and prepare the convention center site, the City is authorized to borrow \$157.8M and the Commonwealth to fund up to the next \$47.2M for a total of \$205M. Any expenses beyond that will be split evenly between the City and State up to \$50M. To date, the City has spent \$190.9M with the eminent domain cases for about 1/4 of the site to be settled. The remaining parcels are smaller and of less value. That leaves a balance of \$14.1M of state funding before the cap of \$205M is reached. The City has established a reserve to pay for its share of any site costs beyond \$205M. Publicly, the City estimates that site costs will not exceed the total amount authorized in the Convention Center Act.

## CLOSING ON BERKELEY ST.

The closing date for the sale of the old police headquarters on Berkeley St. to the Saunders Hotel Group is scheduled for June 24<sup>th</sup>. Originally constructed in 1925, the building is being sold by the City for \$14M of which approximately \$10.4M will be available for housing. The Saunders Hotel Group will retain ownership of the land and a 200 room hotel will be owned and operated by Jurys Doyle Hotel Group, an international hotel operator headquartered in Dublin, Ireland. Jurys Doyle operates 32 hotels in Ireland, UK and USA with a total stock of 6,145 rooms and 3,500 employees. After an 18-24 month construction phase that includes the addition of 3 stories to the building, the hotel is expected to open in early 2004. This project will bring previously tax exempt property onto the tax roles, add jobs and the City will receive revenue from the 4% local share of the hotel excise tax.

## ERI FOR CITY EMPLOYEES

The Governor signed into law an Early Retirement Incentive (ERI) program on May 15<sup>th</sup>. If Boston adopts this option, the City estimates a savings of \$2M in FY03, with approximately 200 employees opting for early retirement. Critical to the savings is the commitment to backfill positions costing no more than 20% of the salary savings achieved through ERI. In addition, the administration plans to exclude Group 4 employees (public safety) from the program. The critical nature of their work would require the City to backfill 100% of public safety positions vacated, thus creating a net cost to the City. Mayor Menino submitted an order for passage of the ERI to the City Council on May 22<sup>nd</sup>.

### WORKINGS OF ERI

- Qualified city employees may apply up to 5 additional years to their age, years of creditable service, or a combination of both for retirement purposes.
- The administration may place a cap on the total number of employees that may participate in the program, as well as a cap on the number that may participate in each city pension category (Groups 1, 2 and 4).
- Seniority takes precedence where more employees want to retire than there are allotted spaces in a given group.
- Retiring employees must leave by December 31, 2002.

## HOUSE QUESTIONS BCEC

In what may just be a shot across the bow, on May 10th the House of Representatives voted 127 to 22 to support the creation of a special 9 member commission to evaluate the feasibility of the Boston Convention and Exhibition Center (BCEC) and explore alternative actions, including halting construction, salvaging materials and selling the property. The measure is currently before the Senate.

The commission would be comprised of 4 members appointed by the Governor, 2 by the Speaker of the House, 2 by the Senate President and 1 by Mayor Menino. The commission would be charged with conducting a cost benefit analysis of the BCEC project, and compare that to alternative configurations.

This measure reflects the growing debate about the project's potential as an engine for economic development in the South Boston waterfront area. Critics contend the existence of the Hynes Convention Center obviates the need for the BCEC, and that in fact the two cannot co-exist in Boston without one eventually cannibalizing the other. Critics point to the fact that there are currently only 18 firm bookings for the facility's first 10 years. Proponents of the BCEC point out that the Hynes and BCEC cater to two different niches - the former to smaller conventions of about 3,000 participants and gate shows, and the latter to larger exhibitions and trade association meetings. Proponents further argue the maximum economic benefit of the BCEC will only be realized over several years and not in the immediate future, thus requiring a longer term vision.

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A recent report by PricewaterhouseCoopers recommended improving marketing strategies for the BCEC. The MCCA has established a sub-committee to evaluate current marketing practices. A report is expected in June.

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## WASHINGTON ST. BID AGAIN

Mayor Menino is expected soon to submit to the City Council a revised home rule petition creating a Washington Street Business Improvement District (BID). Initial planning for this BID started over 5 years ago and the Mayor originally submitted a plan to the City Council in 1998. The Council approved the petition but it was killed in the Legislature when the Boston Police Patrolmen's Association expressed concerns about perceived police powers exercised by the BID. The BID would provide additional services beyond those now provided by the City by focusing on litter removal, coordinated marketing, ambassador services and homeless assistance. The revised plan strictly prohibits the BID from performing any police functions provided by police officers. Pending city and state approval, the BID plan would have to be supported by at least 75% of the taxable property owners in the BID area who vote and who represent at least 51% of the taxable assessed value. The BID would be funded by special assessments structured so that the largest buildings occupying the most land would pay the highest amounts. A critical part of the plan is the cooperation agreement between the City and BID to establish a baseline of city services.

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June 2002

BOSTON MUNICIPAL RESEARCH BUREAU

33 Washington Street, Suite 854 Boston, Massachusetts 02108 (617) 227-1900 FAX 227-2815

## FY03 BUDGET APPROVED

Boston's \$1.826B operating budget for FY03 was finally approved on June 26<sup>th</sup>. The budget represents an increase of \$52.1M or 2.9% over FY02. On the revenue side, the net property tax levy is the single largest tax revenue source at \$984.1M, \$58.2M or 6% more than FY02. All taxes collected will represent \$1.1B or 60% of all revenues. State aid will comprise 29% of all revenues, and is budgeted at \$525.5M, which is \$24.9M or 5% less than FY02. The final amount of state aid to Boston could change depending on how the Legislature finalizes its budget.

On the expenditure side, five departments or accounts represent \$1.383B or 76% of the City's operational spending. These include: (1) Schools (\$579.1M, net benefits), (2) Employee Benefits (\$320.4M), (3) Police (\$220.3M), (4) Fire (\$135.8M), and (5) Debt Service (\$127.0M). Other FY03 spending highlights include an \$8.0M Reserve for Collective Bargaining, \$12.0M for refuse collection and disposal contracts and \$13.0M for housing. See Bureau Special Report No. 02 3 for more info.

## TELECOM FEE

The Council shot down the Mayor's proposed ordinance to establish a telecommunications right of way rent on June 26<sup>th</sup>. The Government Operations Committee, Chaired by Councilor Feeney, recommended the ordinance not pass which the Council approved by voice vote with no debate. The Council voted no because: (a) a new revenue was not needed for FY03, (b) the broad implications of the ordinance would affect taxpayers and (c) legal questions about the City's ability to institute such a charge without state approval remain unanswered. For a major initiative, the Menino Administration presented a weak case for its approval. The business community was organized and effective in its response. Revenue diversity remains a concern for Boston with its reliance on the property tax and state aid for 83% of its operating revenue. However, before the Administration comes back with any new revenue plan, it should demonstrate first its resolve to control spending and improve service delivery.

### Mark Your Calendar

For the

2002 Henry L. Shattuck Public  
Service Awards

DATE: October 17, 2002

TIME: 6:00 P.M.

LOCATION: John Hancock Hall

Honorees will be announced in September.

### Special Election Results

Hyde Park's Rob Consalvo prevailed in the race to fill the District 5 City Council seat in a special election held on June 4<sup>th</sup>. Consalvo beat out Adriana Cillo, winning 65% of the votes. This election posted only a 20% voter turnout. The seat had been vacant after Dan Conley was appointed interim Suffolk County DA by Governor Swift in February.

### ERI Update

Boston adopted the Early Retirement Incentive (ERI) program for city employees. The Mayor signed a letter on June 28<sup>th</sup> establishing the eligibility guidelines for the program. The ERI program has been capped at 370 participants and public safety employees are not included. Eligible city employees must apply by August 31<sup>st</sup> and their official retirement date is set for October 31<sup>st</sup>. See Bureau Update April/May 2002 for more info.

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NEWS

## ROUND 2: RECYCLING vs. LIVING WAGE

With Boston's recycling contract expired at the start of FY03 on July 1st, the Menino Administration has made no decision on a waiver from the Living Wage requirements. To continue the City's recycling program, PWD has extended the recycling contract for a short term at higher rates. The Administration is considering requesting that vendors re-bid the recycling contract with a requirement that the successful bidder must comply with the Living Wage ordinance. The three bidders, all affiliated with national firms, have stated previously in a hearing that they would not bid on the contract if they had to pay the Living Wage of \$10.54/hr. The City's new refuse collection and disposal contracts in FY03 are expected to increase by approximately \$12M or 42% over FY02. See *Bureau Update April/May 2002* for more info.



## \$33M FOR HOUSING

Mayor Menino received a check for \$14M from the Saunders Hotel Group for the sale of the old police headquarters at 154 Berkeley St. on June 27<sup>th</sup>. Of this total, approximately \$3.6M, the amount equivalent to the total debt incurred by the City for this building, must be retained in the Surplus Property Disposition Fund to be used for capital purposes. The balance of \$10.4M is part of a total of \$33M in non-recurring revenue that has been designated by the Menino Administration to be used for affordable housing. These funds represent the City's share of \$163.7M in federal, state and local funds that support the City's 3 year *Leading the Way* affordable housing program that began in July 2000. The \$33M is made up of the following parts.

FY01	Surplus Property Disposition Fund	\$13.0M
FY02	Surplus Property Disposition Fund	3.0M
FY03	Berkeley St. Police HQ Sale	10.4M
FY03	Balance presumed from SPDF	2.6M
NA	Area D Police Station (Warren Ave.)	<u>4.0M</u>
	Total	\$33.0M

As a 3 year program starting its third year, the Administration should address the factors that delay the expenditure of its available local housing program funds. Of the initial appropriation of \$13M available in July 2000, only \$9.2M has been spent so far.

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The City's Midpoint Progress Report on *Leading the Way* can be found on the Internet: [cityofboston.gov](http://cityofboston.gov) Go to the Department of Neighborhood Development to download the report.

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## MFA ECONOMIC IMPACT

The extent to which Boston's major cultural and arts institutions contribute to the strength of the Boston and regional economy was made more clear by the release of an economic impact study by the Museum of Fine Arts, Boston (MFA). Released as the MFA begins its fund raising campaign to support its Master Site Plan, the report highlighted the MFA's economic role as an employer, retailer, vendor, an attraction for tourism and as an educational institution. Some of the key points include that in FY01 the MFA:

- Generated direct economic activity totaling \$137M statewide with \$111M occurring in Boston.
- Directly supported 1,300 jobs that paid \$38.6M in annual wages, with 90% located in Boston. Is among the top 20 largest private employers of Boston residents in the City.
- Purchased \$65M in goods and services from other businesses, almost half to Massachusetts firms.
- Generated \$42M in retail sales through its shops, catalogues and food services.
- Attracted 1.3M people to the Museum. That is as many as attracted by the Bruins and Celtics combined at the Fleet Center.
- Generated non tuition expenditures of \$2M in Boston by 1,300 students enrolled in the School of the Museum of Fine Arts.

Adding indirect and induced economic activities would expand the economic impact further. Finally but equally important, the MFA contributes to the vibrancy of the local creative environment in Boston that is attractive to the emerging workforce in Boston.

# Bureau Update

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Kirstein Business Branch

BOSTON MUNICIPAL RESEARCH BUREAU

July/August 2002

Kirstein Business Branch

333 Washington Street, Suite 854 Boston, Massachusetts 02108 (617) 227-1900 FAX 227-2815

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## Mark Your Calendar

For the  
2002 Henry L. Shattuck Public  
Service Awards

DATE: October 17, 2002  
TIME: 6:00 P.M.  
LOCATION: John Hancock Hall

Honorees will be announced in September.

## Mark Your Calendar

For the  
Research Bureau's 71<sup>st</sup> Annual  
Meeting of Members and  
Directors

February 25, 2003 ~ Noon  
Seaport Hotel Boston

For more information on either event  
call Diane Smith at 617-227-1900

## LOCAL AID LOWER IN '03

Boston's FY03 operating budget is out of balance by \$13.2M as a result of the local aid cuts approved in the final state budget. Not considered here are any changes in state grants. With a city budget of \$1.8B and 10 months remaining in the fiscal year, Boston can manage this net reduction of state aid without affecting the delivery of basic city services. This revenue cut will require the City to continue to control spending and be more diligent in reducing its work force numbers. These steps are also necessary to prepare for FY04 when local aid is expected to be reduced again as a consequence of the Commonwealth's current financial situation.

Boston's FY03 state aid of \$512.7M is \$26.2M or 4.9% less than the net amount actually received for FY02. The largest cuts in state aid for FY03 from the City's adopted budget were made in the Additional Assistance and Charter School reimbursement accounts, totaling a combined \$24.1M. Boston was particularly affected by the cut in Additional Assistance since its distribution was based on a needs-based formula that favored urban areas, resulting in 43% of the statewide total being allocated to Boston. The cut in this account totaled \$13.4M. The Charter School reimbursement was eliminated entirely, resulting in a \$10.6M reduction for Boston. The City and BPS will share in addressing this cut. State reimbursements in excess of conservative city budget estimates helped offset part of the local aid cuts in the above accounts. State reimbursements for teacher pensions increased by \$6.8M, for school construction by \$2.1M and for the Quinn Bill by \$1.8M, for an increase of \$10.7M over city budget estimates.

## CITY APPROVES WASHINGTON STREET BID

The City Council approved a revised home rule petition creating a Washington Street Business Improvement District (BID) on August 14th. The Mayor will sign the petition shortly. The petition then must be approved by the Legislature and Governor, after which businesses in the district must vote to support the BID before it becomes operational. (See April/May 2002 *Bureau Update*) The BID will provide additional services beyond those now provided by the City, such as ambassador services, litter removal, coordinated marketing, programming and homeless assistance. The BID also will provide professional management services to the district and represent

the area in the public policy process. The BID will be funded by special assessments structured so that the largest buildings occupying the most land in the District will pay the highest amounts. A BID Board of at least 11 members primarily representing various owner interests will manage the BID. The BID budget is tentatively set at \$3.6M. A critical part of the plan is the cooperation agreement between the City and BID to establish a baseline of city services for the area. A strict sunset provision limits the operation of the BID to five years with a new approval process required to extend it further.

## STUDENT ASSIGNMENT

The opening of the 3 new schools in 2003 is the impetus that could lead to a new system-wide assignment plan in Boston. The School Committee is slated to create a Student Assignment Task Force before Labor Day to deal with the issue. The task force will initiate a dialogue with the public through 5 public hearings. After a comprehensive review of public input, the data and alternative assignment models, a report will be presented to the Committee in October. Before finalizing a plan, the School Committee will also hold a hearing in October.

Questions that will need to be answered include:

- How should students be assigned to the 3 new schools that will open in September 2003 and to other existing schools starting in 2004?
- What is the right balance between access to neighborhood schools and school choice?
- What should be the trade offs between more diversity or greater homogeneity tied to assignments?
- How would a new plan impact school transportation costs? The BPS's transportation budget in FY03 is \$55.9M, of which \$23.8M is for controlled choice and \$24.0M is for special education transportation.

The School Committee would be expected to approve any assignment policy changes for the 3 new schools in November 2002. Roll out of any further system-wide modifications to the student assignment plan would have to be introduced in March 2003 in order to be incorporated into the planning for the FY04 school budget.

## URBAN REGIONALISM

The prospect of cuts in local aid may have brought them together initially almost two years ago but the chief executives of nine Boston area cities have joined together to develop collaborative strategies and programs that can provide efficiencies and cost savings. Boston is a member of the Metropolitan Mayors Coalition that consists of the nine cities of Boston, Cambridge, Chelsea, Everett, Malden, Melrose, Medford, Revere and Somerville. Among other goals, the Coalition promotes cost control and savings by exploring and implementing collaborative service arrangements on administrative and operational issues. For example, on the issue of group health insurance services for municipal employees, the Coalition is working to create a combined program to control cost increases through greater economies of scale. Urban regionalism has been elusive in the Boston metropolitan area in the past. However, in these economic times and with the staff assistance from the Metropolitan Area Planning Council, regional collaboration should prove beneficial and worth pursuing.

## COUNCIL REDISTRICTING

Five of Boston's nine electoral districts must be redrawn this year to comply with federal law that stipulates that no district may deviate by more than 5% of the average district population. Based on the 2000 federal Census, that average is 65,389. Since the five districts are not all contiguous, precinct changes will likely occur in most districts. The Council's Committee on Census and Redistricting held a hearing on July 24<sup>th</sup> to discuss various redistricting options. Discussion centered on the desire to preserve traditional neighborhoods, the requirements for creating a fourth minority majority district and the preference to not place two incumbent Councilors in competition for the same seat. Additional neighborhood hearings will be held during August and September. Testimony from the hearings will be considered in the development of a final redistricting plan that will be presented to the City Council for a vote in September.

## POLICE ON THE STREET

The Boston Police Department (BPD) will transfer approximately 40 experienced sworn officers "on the street" in direct service positions from administrative or clerical positions this fiscal year. The benefit is to increase police presence at less cost than a new class. This transfer is the first in a series of moves that are expected to occur over the next few years as the BPD works to assign more sworn personnel to direct service positions and hire civilians to perform their administrative and clerical duties. In July 2002, the Police Commissioner released an operations review and position utilization analysis of the BPD prepared by Management Partners, Inc. That report presented a plan by which 163 sworn officers could be returned to direct police service. The Commissioner has indicated that not all the recommendations will be implemented for organizational or legal reasons.

## THE REPORT:

- Identified 235 positions in the department that were being filled by sworn officers that did not require the use of police powers or police training for effective performance.
- 40 positions were identified that could be eliminated by the application of technology and system redesign, making the BPD more efficient.
- Of the total sworn officers of 2,194 at the time of the review, 1,788 or 81.5% were in direct service positions and 406 or 18.5% were in support positions.
- The BPD ranked low in the use of civilians in support services in the report's benchmarking survey of Boston and other comparable police departments.

The Commissioner has stated that no employees will lose their job as a result of implementing recommendations based on this report.

# Bureau Update

September 2002



BOSTON MUNICIPAL RESEARCH BUREAU

Washington Street, Suite 854 Boston, Massachusetts 02108 (617) 227-1900 FAX 227-2815

NOTES ON ENEMAS

# WELCOME!

- The Research Bureau is pleased to introduce our new Research Associate, Sean Leahy. Mr. Leahy comes to the Bureau with a B.A. in Classics & History from the College of the Holy Cross. Sean will focus on educational issues.

## MARK YOUR CALENDAR

- For a panel discussion: *Reforming Bilingual Education in Massachusetts: Referendum vs. 2002 Bilingual Education Reform Law*

October 22, 2002  
7:45 A.M. - 9:30 A.M.  
Swissotel Boston

For more information contact  
Diane Smith at 617-227-1900

Presented by the Research Bureau and the Pioneer  
Institute for Public Policy Research

## FY02 CITY SURPLUS

Boston closed the books on FY02 with a \$5.2M general fund operating surplus, due to actual revenues exceeding budget estimates. FY02 revenues reached \$1.788B and surpassed budget estimates by \$14.8M or 0.8%. Expenditures totaled \$1.783B, \$9.7M or 0.5% over budget. Key revenue accounts that exceeded budget included: PILOT and Chapter 121A (+\$10.2M), building permits (+\$5.1M), Municipal Medicaid (+\$4.6M) and Workers Compensation (+\$3.0M).

Spending over budget in FY02 is primarily attributable to the Fire Department and establishing a reserve for a potential legal settlement. The Fire Department spent \$2.5M or 1.9% more than budgeted due mainly to overtime expenses necessitated by firefighters taking full advantage of the sick leave provision in their new contract. Property Management spent beyond its budget by \$993,914 due, in good part, to increased security measures.

## SALARY INCREASES OK'D

The Mayor recommended and the City Council approved - salary increases for their own positions. This action seems to indicate that the Menino Administration is prepared to negotiate with the many city employee unions whose contracts expired on June 30, 2002, including the police unions.

In addition to bumping up their own salaries, the ordinance also provides for an increase in the salary ranges for department heads. The increase in the salary ranges was needed to retain and attract qualified and experienced managers. Department heads, with a few exceptions, have not received a salary increase since July 2000. However, this is just an increase in salary ranges and any salary increases for department heads will be decided by the Mayor and should be based on a formal performance-based evaluation standard. (See *Bureau Brief BB02-1*) The Mayor needs to take action on this matter as well as address the problem of compression, in which some of his department heads earn less than the top managers they supervise. For example, in the Police Department, 168 officers earned more than the Commissioner in 2001 as a result of overtime, paid detail and Quinn Bill payments. The salaries for the Mayor and City Councilors were increased by 20% to \$150,000 and \$75,000 respectively. This will cost taxpayers an additional \$187,500 a year. These salaries were last increased in 1998.

## FY02 BPS SURPLUS

The Boston Public Schools (BPS) ended FY02 with an operating surplus of \$18,970, the 12<sup>th</sup> consecutive year in which the BPS has posted a surplus. Offsetting spending deficits of \$13.3M in the salary and property services accounts, the BPS posted a savings in its transportation account of \$2.4M and \$1.3M in its contracted services for special education tuition account. Spending for health insurance also posted a \$3M savings.



## ERI WORKOUT

The tally is in - 507 early retirement applications have been received by the City as of the August 31<sup>st</sup> deadline. The Administration is now assessing the financial impact of the ERI. The Administration must decide whether it can increase the regular employee cap it set of 350 to accommodate more of the 500 employees who applied and still meet

its goal of back-filling no more than 20% of the total value of the salaries of those retiring. The success of the ERI as a spending control mechanism is dependent upon the Administration's ability to stay within the 20% backfill threshold. (See Bureau Update June & April/May 2002). Reducing personnel costs is a necessary step as the City prepares for local aid cuts in FY04.

The Administration anticipated no savings from the School Department. However, 225 or 44% of the applicants are BPS employees and many are in positions that will need to be filled. The number of BPS employees within the final cap, with their high severance payments, could reduce the City's overall ERI savings.

## CAPITAL IDEA

Boston had a good summer in terms of managing its capital spending. In two refunding issues, the City was able to take advantage of favorable market rates to reduce its annual payments by over \$1.3M. On August 1<sup>st</sup>, the City refunded \$140.6M of 1993 Boston City Hospital bonds paying interest at 5.74% with a bond issue of \$127.8M with a True Interest Cost (TIC) of 4.07%. The City was able to sell a smaller bond issue by using funds related to the 1993 bonds, such as a debt service reserve. The average savings from this refunding should be approximately \$1.2M per year from FY04 to FY18. The savings will be in the form of lower assistance grants to pay for debt service as part of the hospital merger agreement.

Additionally, on August 18<sup>th</sup> the City refunded \$44.8M of bonds paying an average interest of 5.65% for an issue with a TIC of 4.20%. For ten years starting in FY04, the City will realize an average interest savings of \$178,600, followed by an average interest savings of \$149,400 for the remaining seven years, for a gross savings of \$2.8M.

Last April, the City also benefited by the conversion of \$157.8M in Bond Anticipation Notes (BANs) for the purchase and preparation of the convention center site to long-term Special Obligation Bonds of \$116.9M with a TIC of 4.90%. The smaller issue is due to the City's ability to retire \$60.5M of BANs with receipts in excess of debt service requirements from the room occupancy excise from hotels in operation since July 1997 and the sale of taxi licenses. The smaller bond issue should mean that the dedicated revenues will be more than sufficient to cover the annual debt service costs that will average \$8.3M through 2027.

## 1010 MASS AVE

The City is purchasing the office building at 1010 Mass Ave. and three adjacent parcels for \$32.5M. Estimates indicate the purchase would create an average annual savings of \$1.7M to \$3.4M over the next 21 years. The City currently rents nearly 80% of the 184,000 sq. ft. building for about \$4.4M per year.

The facility is home to the Inspectional Services Department, the Public Health Commission, and offices of the Parks and Fire Departments. The rest of the building is occupied by non-city renters who would generate about \$1.1M in rental income through 2005, the last year of their leases. Ownership savings is not dependent on this rental income. Additionally, the City is purchasing 3 other parcels in the area. The future use of these parcels has yet to be determined. The due diligence phase of the purchase is currently underway, and the transaction could be complete by the end of the year.

## BPS APPOINTMENTS

Superintendent Payzant recently announced 38 new administrative appointments for the 2002-2003 school year. He appointed 26 new principals and headmasters and 12 new members of the central staff.

The Superintendent has now appointed 85 of the 134 (63%) principals and headmasters currently working in the Boston Public School system. The Superintendent negotiates individual contracts with each principal and headmaster on a one, two, or a three-year basis.

APPOINTMENTS	38 NEW	85 TO DATE
Male	39%	26%
Female	61%	74%
Black	40%	41%
White	42%	44%
Hispanic	18%	12%
Asian	0%	3%

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# Bureau Update

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BOSTON MUNICIPAL RESEARCH BUREAU

October, 2002

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## PREPARING FOR FY04

Faced with revenue and expenditure challenges in FY03 and more expected in FY04, the City must continue to apply cost controls to be prepared for expected state aid reductions in FY04. Currently, the City's budget is \$14.3M out of balance due to a reduction in state aid after the budget was set. This should be manageable by carrying over available revenues, or if revenue collections exceed budget estimates. Possible pressures on FY03 spending include:

- Fire spending over budget due to the high use of costly sick leave and vacation buy back provisions in the union contract.
- The cost of summer youth workers not paid by the state.
- Funding the city's towing service that was not contracted out.

To control costs, the City implemented an Early Retirement Incentive (ERI) program with the expectation of creating a \$19M savings. The program's success as a cost saving measure will be limited because the cap for general employees was lifted, allowing 150 more employees to retire. That makes it more difficult to adhere to the goal of backfilling no more than 20% of the savings achieved through ERI. While the City should be able to manage through FY03 without great difficulty, the utilization of spending controls, particularly through employee reduction, is necessary in FY03 to give more financial flexibility in an uncertain FY04 and beyond.

## Save The Date

- February 25, 2003  
71<sup>st</sup> Annual Meeting of Members and Directors of the Research Bureau  
Noon - Seaport Hotel Boston
- For more information call Diane Smith 617-227-1900

## School Committee Wants You

Two positions on the Boston School Committee are open due to the expiring terms of Alfreda Harris and William Spring. Applications are now being accepted. The deadline is November 13, 2002 for 4 year terms to begin January 6, 2003. For an application, call 617-635-4634 or go to [www.bostonpublicschools.org](http://www.bostonpublicschools.org).

## NEW BPS BILINGUAL PLAN

The School Committee approved a new bilingual education policy for any student whose native language is not English - English Language Learners (ELLs) on September 25<sup>th</sup>. The plan provides increased language services to all ELLs, increased school choice options and heightened monitoring of the academic progress of all ELLs. There are 22,755 ELLs in the BPS, representing 36% of the total enrollment, and 9,808 of those ELLs are enrolled in a bilingual program. Passage of the English immersion ballot initiative on November 5<sup>th</sup> will require revision of the plan.

Former Plan (Lau Plan)	New Plan
<ul style="list-style-type: none"> <li>■ Only ELLs enrolled in a bilingual plan were given English language services.</li> <li>■ Only bilingual teachers were trained in instruction of ELLs.</li> <li>■ Students enrolled in bilingual programs were clustered into groups of 200.</li> <li>■ Parents had limited choices among schools and bilingual programs.</li> <li>■ BPS only tested the English proficiency and monitored the progress of ELLs enrolled in bilingual programs.</li> </ul>	<ul style="list-style-type: none"> <li>■ All ELLs, both in regular and bilingual education, will receive English language services.</li> <li>■ All teachers will be trained in instruction of ELLs.</li> <li>■ There are no cluster restrictions on bilingual programs.</li> <li>■ Parents have broader choices among schools and four bilingual programs.</li> <li>■ BPS will test the English proficiency of all self-declared non-native English speakers, and will monitor the progress of all ELLs.</li> </ul>

## District 9 Special Election

- November 12<sup>th</sup> ~ Allston/Brighton will be voting for a City Councilor ~ Nine candidates are competing for this seat left vacant after the sudden death of Brian Honan.
- December 10<sup>th</sup> ~ Final Special Election

## *thank you*

The Bureau acknowledges with grateful appreciation the following corporations for their participation in sponsoring the Henry L. Shattuck Public Service Awards for 2002.

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The Westin Copley Place  
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11-2002

A Monthly Review of Issues Affecting the City of Boston

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Kirstein Business Branch

November, 2002



# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

333 Washington Street, Suite 854 Boston, Massachusetts 02108 (617) 227-1900 FAX 227-2815

## SHIFT HOUSING DIRECTION



The City Council did the Mayor a favor when it did not approve his rent stabilization proposal. The Mayor now can shift directions from housing control to housing supply. He should seize the opportunity to mobilize a coalition

that brings key players together to reach consensus on steps that can be taken at the local level to increase housing development. The Mayor's leadership will be crucial. Joining city and state officials should be experts from local universities, community development organizations and tenants groups. Business, real estate and nonprofit institutional leaders know how serious housing availability is to hiring employees and growing Boston's economy and are anxious to be involved.



Rent stabilization is a regressive plan that would do nothing to build one new unit of housing. It creates financial uncertainty that would cause a chilling effect on outside funding for housing development in Boston. Such funding has been critical to new

housing being built in Boston and now in the pipeline. As a special act, rent stabilization was not expected to be enacted by the state. Thus, passage by the City Council would have triggered the negative impacts without achieving any control of rents.

The Mayor should change the focus from housing control to housing supply. This is a much more positive approach than backing a regressive rent control measure, and is more befitting a strategy for the President of the U.S. Conference of Mayors. There are several reports already completed that can help facilitate and direct this effort. In the end, business, real estate and nonprofit institutional leaders must play a more active role in addressing the citywide housing problem. Also, the solution will need to include City Hall changing the way it does business regarding housing development in permitting, land availability, streamlined decision making and neighborhood involvement.

## PILOT SCHOOL INITIATIVE

Both the Boston Public Schools (BPS) and the Boston Teachers Union (BTU) have reasons to support The Boston Foundation's (TBF) initiative to encourage the conversion of district schools to pilot schools. As district accountability requirements from the state (Education Reform Act) and federal governments (No Child Left Behind) begin to kick in and give students in underperforming schools the ability to take resources with them as they seek supplemental services from educational providers outside the BPS, efforts to broaden options within the BPS should be supported. TBF has launched a project designed to encourage existing schools to explore conversion to the pilot model. Pilot schools operate more freely from the rules of the School Committee and union contract. They have greater control over their mission, organization, budget and governance that should foster educational innovation and reform.

Representatives from over 30 BPS schools, including 20 principals, attended a bidders conference in early November to learn of TBF's program. TBF will provide planning grants of \$15,000 to the selected bidders to help them prepare an application for pilot status. BTU leadership initially pulled back support for the project, but has now agreed to issue a memo to teachers on related contract issues the week of December 9th. TBF has agreed to extend its deadline for proposals to December 20th and, if requested, as late as January 17th. Becoming a pilot school requires approval of two thirds of the eligible BTU members in a school, the Joint BPS-BTU Steering Committee and the School Committee. For schools that are selected to become pilots, TBF will provide substantial grants for the transition year. There are currently 12 pilot schools operating in the BPS, and two new schools are scheduled to open as pilot schools in September 2003.



## MOU~R.I.P.

*"...the parties created a political document that expressed aspirational goals, but which violated public policy and is unenforceable."*

That is the essence of the recent opinion of the Supreme Judicial Court that put an end to the legal battle over the 1998 Memorandum of Understanding (MOU) regarding linkage payments in the South Boston waterfront. The court ruled that the Mayor, through the BRA, and a City Councilor, State Senator and State Representative, acting individually, lacked the authority to execute the MOU because they did not have the ability to circumvent the established, legal basis for allocating linkage funds by area or project. We could not help but notice the similarities in what the SJC said in its opinion in October 2002 and what the Research Bureau wrote in its October 1998 linkage report. Linkage in Boston was authorized by Chapter 371 of the Acts of 1987. What follows are short excerpts from the Research Bureau's report and the SJC decision.

"This MOU must conform with Chapter 371 of the Acts of 1987, Article 80 of the Boston Zoning Code and the Declaration of Trust for both jobs and housing. The legislation clearly states that the Neighborhood Housing Trust and Neighborhood Jobs Trust are responsible for distributing linkage funds into areas and projects they see fit."

BMRB *Boston's Linkage Program*, October 1998

In sum, the signatories to the MOU lacked authority to execute the MOU. Authorized community benefits may only be required from developers generally in accordance with the provisions of art. 80 and St.1987,c.371. The MOU designates the (South Boston Betterment) trust as the beneficiary of community benefits...without an assignment of rights from, or transfer of trust property from, the trustees of the Neighborhood Housing Trust or trustees of the Neighborhood Jobs Trust. ... The BRA lacked authority to circumvent St.1987,c.371, or art.80's provisions.'

Supreme Judicial Court opinion, October 2002

Special Election

Jerry McDermott, who finished first in the preliminary election with 29% of the vote, will face off against Mark S. Ciommo, who followed close with 23% of the vote, in a December 10th special election for the District Nine (Allston-Brighton) council seat held by the late Brian Honan. McDermott and Ciommo beat out seven other candidates in the November 12th preliminary election.

## SALARIES OK'd

The Mayor approved salary increases in October for 20 of the 23 city department heads whose salary ranges are set by ordinance. No changes were made to three positions that are currently vacant. The increases are effective retroactively to July 6, 2002, with the exception of the Police Commissioner, whose salary was set as of January 5, 2002. This was the first salary increase for most department heads since July 2000. These salaries are within the new salary ranges approved by the City Council in August, based on the recommendation of the Compensation Advisory Board. These increases also largely resolve for now (except for the Police Department) the salary compression issue in which department heads supervise staff who earn more than they do. Overall, department heads received anywhere from a 4.0% to 29.5% salary increase. Increases for 14 of the positions ranged from 4.0% to 10.0%, while the remaining 6 positions received increases beyond 10.0%.

The Research Bureau supported the increase in salary ranges with a contingency that a performance based evaluation standard would be in place for all salary increases approved by the Mayor. However, no such standards were in place for the current increases. The Mayor should establish a more formal process for awarding salary increases for department heads for future raises to build stronger ties between employee performance and salaries paid.

## RECYCLING UPDATE



Boston's recycling program will continue for the year even though the impasse between the national recycling firms and the City's Living Wage Commission has yet to be resolved. After the Public Works Department (PWD) issued the original recycling request for proposal (RFP) in April, the three bidders indicated that they would not comply with the City's Living Wage ordinance and pay their workers on the city contract \$10.54/hr. The recycling firms at the time generally paid their sorters \$7.50/hr.

Not satisfied, the City issued a second RFP in October with the Living Wage stipulation. The same three firms bid but none completed the required information regarding Living Wage, forcing the PWD to throw out the bids. The PWD has negotiated an extension of the current recycling contract at higher rates through the end of December. The City is now faced with the choice of either having the Living Wage Commission grant a waiver to the winning recycling bidder or the PWD negotiate a longer term contract with the current provider. Faced with a similar situation, the cities of Cambridge and Somerville granted waivers. Boston should do the same.



# Boston Municipal Research Bureau 2002 HENRY L. SHATTUCK PUBLIC SERVICE AWARDS

October 17, 2002 ~ 6:00 P.M.

John Hancock Hall  
180 Berkeley Street, Boston

*r.s.v.p.* by October 7, 2002, to Diane Smith at 617-227-1900 or dsmith@bmrb.org  
All are welcome to come to the Awards Ceremony and Reception.

## Honoring

★ <b>Renee Becket-Simmons</b>	Paraprofessional	Alexander Hamilton School
★ <b>Gretchen Chalmus-Johnson</b>	Senior Custodian	Early Learning Center Roxbury
★ <b>Richard S. Garver</b>	Deputy Dir. Transportation & Zoning	Boston Redevelopment Authority
★ <b>Stephen J. Hofferty</b>	Patrolman	Boston Police District A-1
★ <b>Michael P. O'Connor, Jr.</b>	Sergeant Community Service	Boston Police District 7
★ <b>Renee Payne-Callender</b>	Detective Sexual Assault Unit	Boston Police
★ <b>William S. Ryan</b>	Director Youth Sports	Parks & Recreation

## 2002 Shattuck City Champion Awards

★ **Robert L. Beal**, President & Partner, The Beal Companies LLP

★ **Rev. Dr. Gregory G. Groover**, Pastor, Charles Street AME Church

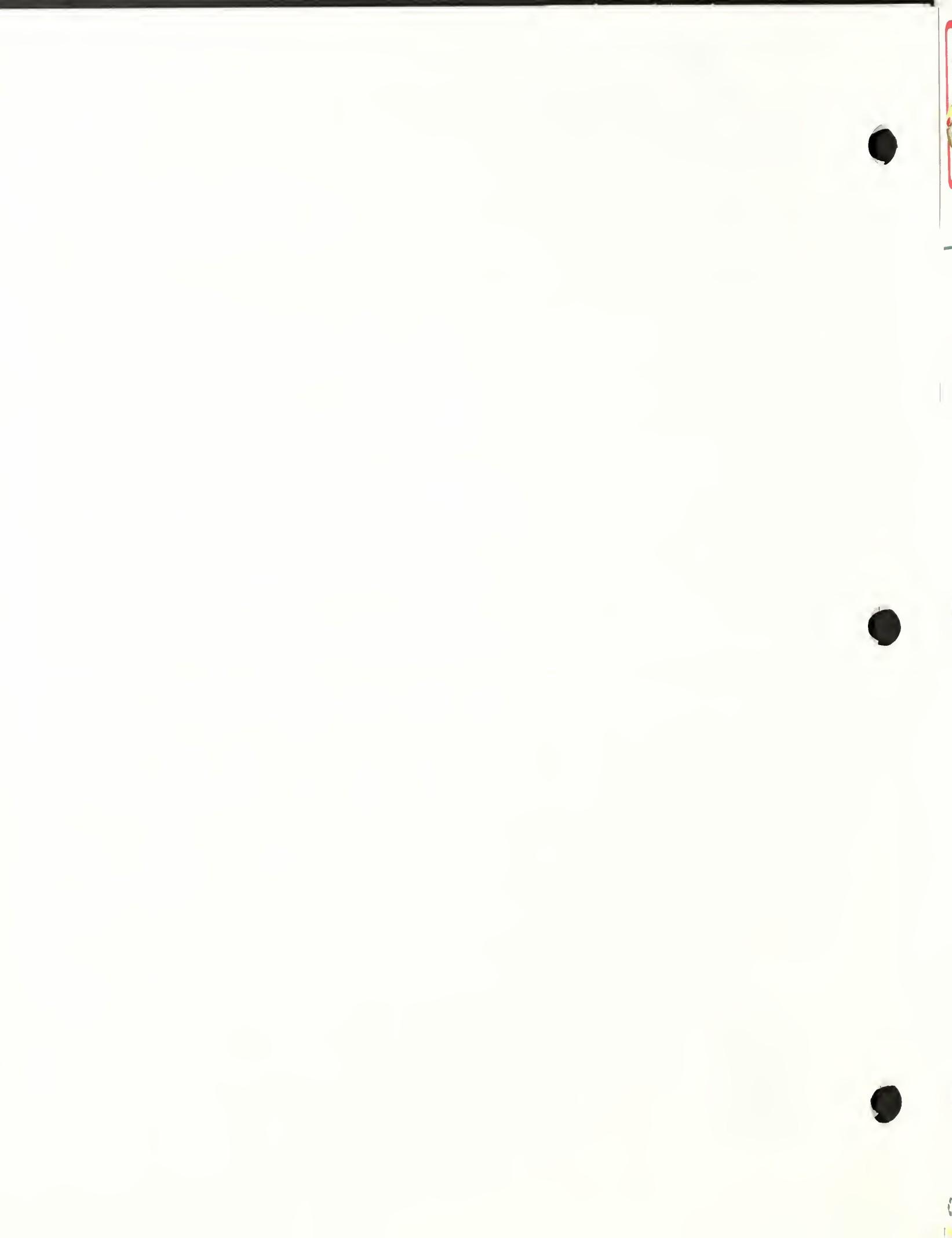
## 2002 Shattuck Chairman's Award

★ **Sally Degan Glora**, City Auditor

## Many Thanks to our Premiere Underwriter



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# Bureau Update

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*Seasons Greetings*

JANUARY 2003

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BOSTON MUNICIPAL RESEARCH BUREAU

December 2002

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## ■ FEBRUARY 25, 2003

### BUREAU ANNUAL MEETING

Keynote Speaker, Mayor Thomas M. Menino.  
The lunch will be held at the Seaport Hotel at Noon.  
For more information, call Diane Smith at 227-1900.



## ■ DISTRICT 9 ELECTION

Jerry McDermott defeated Mark Ciommo in the special election held December 10 to select the late Brian Honan's successor. McDermott captured 54% of the balloting with 2,679 votes to Ciommo's 46% with 2,255 votes. Voter turnout was 18.5%. McDermott will be sworn-in on December 21<sup>st</sup>.

## TAX LEVY OVER \$1B

Boston's FY03 tax rate, set on December 17th, produced the City's first ever levy over \$1.0B. The \$1.035 tax levy is an increase of \$62.6M or 6.4%. Robust new growth of \$38.3M exceeded original budget estimates. Business property accounts for \$30.2M or 78.8% of new growth as a result of new development and a large increase in utility value.

### Boston's Levy, FY02-03

	FY02	FY03	Change	%
Prior Year Limit	\$917.9	\$972.7	\$54.8	6.0%
2 1/2% Levy Growth	22.9	24.3	1.4	6.1%
New Growth	31.8	38.3	6.5	20.4%
Total	\$972.7	\$1,035.3	\$62.6	6.4%

For the second year in a row, Boston's FY03 business and residential tax rates increased. The residential tax is \$11.29 per thousand dollars of value, up \$.28 or 2.5% from FY02, while the business rate is \$31.49, an increase of \$1.16 or 3.8%. Boston's total taxable assessed value was certified at \$57.5B, an increase of \$3.3B or 6.2% over FY02. Residential property value increased \$3.4B or 10.6% over FY02, while business property values showed a \$29.6M or 0.1% decrease. Commercial property value decreased by \$265.4M or 1.4%. Values for FY03 are set as of January 1, 2002 and thus represent 2001 market conditions.

## FY03 BUDGET REVISED

At the midpoint of FY03, the City revised its operating budget by reducing it \$327,156 to \$1.825B. By setting its tax rate in December because it issues quarterly tax bills, the City is able to adjust its budget using the most current revenue and expenditure estimates, and reflect the impact of the finalized state budget. The revised FY03 budget represents an increase of \$42.1M or 2.4% over FY02. Expected supplementary appropriations will increase spending further before the fiscal year ends. The City balanced its budget without cutting core services, laying off employees or using cash reserves.

On the revenue side, net property taxes of \$995.5M are \$11.4M more than in the adopted budget due in large part to robust new growth. These gains were offset by downward revisions of \$12.6M to interest income, PILOT payments and excise receipts, especially hotel excise receipts. Inversely, while state aid was revised downward by \$3.8M to \$521.7M, this decrease was offset somewhat by a budgeted increase of \$3.9M in Chapter 121A payments. Minor cuts were made to spending for debt service and state assessments to achieve the \$327,156 reduction needed to maintain a balanced budget. The City has built some flexibility into its FY03 budget to accommodate some anticipated expenses in early 2003.

The Administration will have to exercise strong management to meet the challenges that still lie ahead. Most union contracts expired on June 30, 2002, including police officers, and must be renegotiated. Also, the City faces the specter of a 10% or greater reduction in state aid for FY04. With almost 70% of the City budget dedicated to employee expenses, controlling personnel costs should be a priority. The Administration established a position review mechanism for filling vacancies and instituted the Early Retirement Incentive (ERI) program that resulted in 476 employees retiring on October 31<sup>st</sup>. The Administration will need to demonstrate discipline to come close to its stated goal of not backfilling more than 20% of the savings achieved through the ERI. Greater success in these areas now will facilitate efforts to cut spending next year.

## GROUNDWATER THREAT

Diminishing groundwater levels in various neighborhoods of Boston are creating a serious threat to the structural integrity of buildings. Without expensive foundation repair, this constitutes a threat to property value that is not in the City's interest since it is so dependent on the property tax. Any solution should involve private and multi-jurisdictional public involvement. A recent grant to the City of \$1.6M from the Executive Office of Environmental Affairs will allow the City to build about 750 new monitoring wells to better track the problem which has been described as a slow tornado cutting through downtown Boston.

Much of Boston has been built on filled land. During the 19<sup>th</sup> century, throughout lower Beacon Hill, Back Bay, the Fenway, the South End, Bay Village and Chinatown buildings were constructed on foundations that rest on wood pilings of 35 foot tall tree trunks driven into the newly created landfill. If the tops of these pilings are exposed because of a drop in ground water level, the buildings become unstable. When the piles begin to disintegrate, the buildings will begin to resetttle. Large cracks become obvious, walls start to buckle, and window frames change shape. The cost of excavation and repair for the foundation of a house is now estimated to be between \$150,000 and \$200,000.

The City established the Boston Groundwater Trust in 1986 after being sued by several Beacon Hill residents. The Trust ([www.bostongroundwater.org](http://www.bostongroundwater.org)) currently monitors a limited network of 151 wells to measure groundwater levels. The creation of 750 new wells from the grant will expand the knowledge about what causes groundwater depletion. No public or private entity dares acknowledge any responsibility for this problem because of the enormous costs involved. Nevertheless, it is a situation that requires a more proactive role from the City, Commonwealth, MBTA, Turnpike Authority, MDC and the utilities. Also, developers should dig wells during construction projects to ensure their activities do not deplete groundwater levels.

## ENGLISH IMMERSION

English immersion, having been approved in a statewide referendum, will supercede the recently adopted BPS bilingual policy beginning in SY 2003-04. BPS officials have created three groups into which the 9,162 students currently studying under a bilingual program will enter in September: 5,019 or 54.8% will enter total English immersion; 2,121 or 23.1% will enter advanced English immersion; and 2,022 or 22.1% will enter regular education. The students entering total immersion are those who still require a full year of language services before entering the regular education program. Those entering advanced immersion will study in the regular education program, but will

receive special services geared toward fine tuning their English skills. Students entering regular education no longer need language services. The total cost of the immersion program and the effect it will have on the \$35.7M FY03 BPS bilingual budget is unclear. Immediate cost implications for the program are professional development for teachers, textbook replacement, and grade retention for students. Budget allocations from the current bilingual budget, however, may support some of the implementation costs. A substantial reduction in the number of classroom paraprofessionals, for example, will provide funds that can be applied to the program's costs. Further analysis of the program will provide school officials with a clearer budget estimate by early 2003.

## MORE REFUNDING

For one last time this year, the City took advantage of low interest rates and refunded \$45M of General Obligation bonds for a savings of \$2.7M. Over the next six fiscal years, the City will achieve annual debt service savings of approximately \$463,000 each year from FY04 through FY09. The \$45M debt had interest rates ranging from 5.2% to 5.6% and was refinanced in late November at a true interest cost of 2.5%. In two earlier refunding issues in August, Boston was able to reduce its annual debt service payments by over \$1.3M for FY04 and subsequent years. (See September 2002 Bureau Update) These refundings will help the City manage its annual debt service costs starting in FY04. In FY03, Boston's debt service totals \$126.8M and represents 6.9% of the operating budget.

## NEW ASSIGNMENT PLAN

The Boston School Committee has taken the first step in what could become a new system-wide student assignment policy that would give more students access to neighborhood schools and could reduce student reliance on bus transportation. The Committee approved student assignment plans for three new schools located at Orchard Gardens in Roxbury, Columbia Road in Dorchester, and Mildred Avenue in Mattapan, all of which will open in September 2003. With two of the schools at the border of their school assignment zone, school officials instituted cross-zone assignment for students living inside of a one-mile geographical catchment around each school. Students living inside of the catchments will be eligible for 50% of the seats at Mildred Avenue and Columbia Road, and for 75% of the seats at Orchard Gardens. School officials increased the percentage to 75% for Orchard Gardens at the request of area residents in order to meet the needs of the large number of children in the surrounding neighborhood. The remaining percentage of seats at each school will be filled during the second round of assignment with eligible students living in the home zone of each school, in accord with the current general student assignment plan.



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# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

JANUARY/FEBRUARY 2003

NEWS

## Bureau Annual Meeting

The Annual Meeting, featuring keynote speaker Mayor Thomas M. Menino, will be held on Tuesday, February 25<sup>th</sup> at the Seaport Hotel. A welcome reception will begin at 11:00A.M., followed by the luncheon at Noon and the Mayor's remarks. Reservations are required. For more information, call Diane Smith at 617- 227-1900.

## School Committee Appointments

Mayor Menino has appointed two members to the Boston School Committee - Alfreda Harris and William Boyan. Both members will serve four year terms on the Board until January 1, 2007. Ms. Harris was reappointed to the Board, having served as a member since 1993. Mr. Boyan is the former President and Vice Chairman of John Hancock Financial Services and a former Director of the Research Bureau. He replaces longtime member William Spring.

## Thank You, Bill Spring

For the first time since January 1992, the School Committee is beginning the new year without Bill Spring. As the last remaining member of the original appointed School Committee, Bill Spring stepped down in December having served on the Committee for 12 years. The City of Boston and its children owe a huge debt of gratitude to Bill Spring for his commitment and passion to improving public education in Boston. From his early days on the Committee of personally forging a new vocational education program to serve the real needs of Boston students to his more recent advocacy for the BPS to place greater emphasis in preparing students for the MCAS, Bill Spring's active involvement has produced results that will benefit the BPS for years to come.

## FY03 BPS BUDGET ACTION

The BPS is not only wrestling with preparing next year's FY04 budget at 10% less than the current budget of \$650.5M, but also with how to solve a budget problem of \$14.8M this year. With the state's decision not to pay its 50% share of the SPED private residential placements for the last quarter of FY03, this year's shortfall could increase by \$1.1M. The BPS normally reduces spending to balance its budget by year end, but the gap is not usually this large this late in the fiscal year. Nevertheless, the

BPS should be able to manage the shortfall by careful utilization of special revenues, limiting backfill of vacant positions and placing a freeze on purchasing. In addition, \$1.7M approved for facility maintenance will be applied to offset added utility costs.

Not surprisingly, salaries represent \$11.7M or 79% of the projected budget problem. The biggest problems are in spending for substitute teachers (\$3.8M) and more employees on long term leave than expected (\$3.5M). Employee benefits represent \$2.8M or 19% of the shortfall, due primarily to severance costs for employees who opted for the early retirement program and larger than expected unemployment costs. The recent reductions in local aid to Boston will compel the BPS to be diligent in implementing spending controls. What progress the BPS achieves in FY03 will help school administrators meet the greater challenges of the FY04 budget.

## MANAGING AID CUTS

Boston's Cherry Sheet local aid was reduced by \$24M on January 30<sup>th</sup> as Governor Romney cut a total of \$114M in local aid as part of his plan to close a state shortfall that could reach \$650M in FY03. The \$24M represents 1.3% of the City's FY03 budget of \$1.8B, but the effect is a 2.6% cut since it comes halfway through the year. To address this problem over the next five months, the City has a reasonable range of options to maintain its core services, while holding the bulk of its reserves available for FY04, when even larger cuts to local aid are expected. Because of the current and anticipated local aid cuts and with almost 70% of Boston's spending devoted to employees, the City should continue its efforts to reduce responsibly its payroll costs this year.

The \$24M cut to Boston represents 21% of Governor Romney's total emergency 9C local aid reductions in just two accounts: Additional Assistance and Lottery. Additional Assistance is a needs-based fund distributed to 159 or 45% of cities and towns in Massachusetts. The same 9.35% cut was applied to both accounts, which produced a proportional reduction for each community. For Boston, that translated into a 43.4% or \$18.1M cut in Additional Assistance and an 8.2% or \$5.9M cut in Lottery funds. These cuts follow a reduction in Boston's Cherry Sheet estimates of \$27.9M from FY02. Cherry Sheet state aid for Boston has been reduced by \$52M or 9.6% since FY02.



## DOWNTOWN HOUSING

Picking office and retail use over housing, the Boston Redevelopment Authority (BRA) on January 16, 2003, selected MDA Partners LLC to redevelop Hayward Place on lower Washington Street with a mixed use retail and office building. The plan will create a 12 story building that includes 350,000 sq. ft. of office space and 40,000 sq. ft. of retail. The developers will pay the City \$23M, of which \$10M will support housing development and \$13M is intended for the Quincy Upper School. Linkage funds of \$2.5M will be paid to the City.

Why not housing instead? Part of the answer is that there are several housing development projects completed or underway in the downtown area that will satisfy the "immediate market." Since 1998, 432 housing units have been completed and 813 units are now under construction. Looking ahead, the BRA has approved plans for 723 units, and projects for 406 units are under review for a total of 2,374 units. A few of the projects are listed below.

Project	Status	No. Units	Street
Millennium Place	Completed	350	Washington
Parcel C-Oak Plaza	Under Construction	251	Nashua
Saltonstall Building	Under Construction	75	Cambridge
Liberty Place	BRA Approved	468	Washington
500 Atlantic Ave.	BRA Approved	141	Atlantic
Kensington Place	Under Review	336	Washington

The Hayward Place development is expected to bring about 3,000 new visitors daily to the Washington Street area. That is more reason for the Legislature to approve the City's home rule petition to create a Washington Street BID to help make the area more attractive and inviting than it is now with the level of city services provided.

## EXPANDING PILOT SCHOOLS

The Boston Foundation's (TBF) initiative to encourage the conversion of district schools to pilot schools has struck a responsive cord as 15 schools submitted full proposals for planning grants and 13 were selected. These schools demonstrated serious interest by the faculty, principal and parents in exploring the conversion to the pilot model. (See January 2002 *Bureau Update*) TBF will provide planning grants of \$15,000 to help these schools prepare an application for pilot status. Prepared to support requests from 5-6 schools but not 13, TBF was able to quickly secure the remaining funding from six interested donors. Given the initial resistance by the teachers union (BTU) to this effort, faculty support for these plans is impressive. Most schools will complete their plans by Spring 2003. A school's request for pilot status must be

approved by two thirds of the school's eligible BTU members, the Joint BPS/BTU Steering Committee and the School Committee. For schools that are successful, TBF has committed to providing implementation grants of between \$50,000 to \$100,000 each to help cover start up costs for the first year.

## Pilot School Candidates

Grade Level	No.	Enrollment
High School	2	887
K-8	2	486
K-5	7	3,373
ELC/EEC*	2	281
Total	13	5,027

\* Early Learning Center & Early Education Center

Of the 12 operating pilot schools, only Boston Leadership Academy is the result of a conversion from a public school. Two of the three new schools to open in September will be pilot schools. Less restricted by the BTU contract and School Committee regulations, pilot schools can create their own curricula and rules of operation. Their expansion in the BPS should be encouraged.

## CITY COUNCIL COMMITTEES

Council President Michael Flaherty added four new committees, eliminated two and restructured some others for the Council's 2003 legislative session. There are 24 committees this year, two more than in 2002. The chairs of selected committees for 2003 are shown below.

COMMITTEE	CHAIR
Ways & Means	Michael Ross
Education	Chuck Turner
Housing	Paul Scapicchio
Government Operations	Maureen Feeney
Economic Development	James Kelly
Aviation and Transportation	Paul Scapicchio
Public Utilities & Cable	Jerry McDermott
Communication	

Of particular note is the addition of the Special Committee on Boston 2004, chaired by Councilor Maureen Feeney. The special committee will monitor preparations to host the Democratic National Convention in 2004, and serve as the Council's liaison to agencies related to organizing the event. Other new committees in 2003 include Hunger and Homelessness, chaired by Councilor Maura Hennigan; New Bostonians, chaired by Councilor Felix Arroyo; and Employment and Workforce Development, also chaired by Councilor Arroyo.



# BureauUpdate

BOSTON MUNICIPAL RESEARCH BUREAU

MARCH 2003

333 Washington Street, Suite 8S4 Boston, Massachusetts 02108 (617) 227-1900 FAX 227-2815

## FY04 BUDGET WATCH

- Mayor Menino will submit his FY04 recommended budget to the City Council on Wednesday, April 9.
- The School Committee approved the FY04 BPS budget of \$619.0M on March 26, a decrease of 4.9% from FY03.
- The Council's Ways & Means Committee is holding several community based budget hearings to help residents learn more about the budget process and offer suggestions to Councilors. Formal hearings are scheduled to begin in City Hall on April 25th.
- To minimize budget layoffs, the Administration offered a new retirement program with an incentive payment of 20% of salary to eligible employees who retire by June 30, 2003.



### BOSTON IS THE LOCOMOTIVE

Mayor Menino gave the President of the Research Bureau a train engineer's cap emblematic of a key theme in his speech at the Bureau's Annual Meeting on February 25th that Boston is the locomotive that pulls the Massachusetts economy. To support this point, he noted that the City generates about 20% of the state's revenues and 17% of its jobs. The Mayor also cited the Longwood Medical Area that brings in \$1.2B annually in National Institutes of Health funding, and reported that 77 new development projects worth \$4.6B are underway.

Because of local aid cuts this year and those expected next year, the Mayor explained that he had imposed a Workforce Reduction Plan 15 months ago, adopted a state Employee Retirement Incentive plan in 2002 and instituted a hiring freeze in January. These steps were taken, he said, because almost 70% of city spending is for employees. Other steps will be in his recommended FY04 budget. The Mayor concluded by emphasizing the need for private sector jobs for Boston kids this summer.

## ROMNEY BUDGET SLASHES AID

Faced with closing a \$3B state budget gap in FY04, the Governor's budget has identified local aid cuts of \$232M to cities and towns, among other items, for reductions. Governor Romney's budget would reduce FY04 local aid to Boston by \$65.3M or 13.1% from FY03, which represents 3.6% of the City's FY03 budget. Combined with the \$52.4M reduction from FY02 to FY03, the two year reduction in local aid would be \$117.7M or 21.3%. Published reports that the Governor's budget would reduce Boston's local aid by \$46.4M or 10.5% include only 6 budget accounts.

Major changes to local aid in the Governor's budget include the elimination of the Additional Assistance account (-\$175.1M) account, a significant reduction in Lottery aid (-\$19.5M), and a revision of the Chapter 70 school aid formula (+\$40.0M). The impact of these and other reductions were offset somewhat by the addition of a Transitional Local Aid Mitigation account (+\$24.5M), and a substantial increase in PILOT payments for state owned land (+\$87.5M).

The House Ways & Means Committee expects to present its budget plan by April 23, with the Senate following in May. The Legislature may not adopt the Governor's restructuring of accounts, opting instead to maintain existing ones and change the formulas for distribution. The Legislature's budget may bring larger local aid cuts possibly between 15% - 20% based on its belief that not all the restructuring savings in the Governor's budget will be realized in FY04.

## NEW BPS BUS CONTRACT

The Boston School Committee has awarded a new five year transportation contract to First Student, Inc. (FSI). The bid submitted by FSI will save the BPS over \$10.5M during FY04 from the bid submitted by Laidlaw Transit, the current transportation contractor. The new agreement, effective on July 1, accomplishes a goal of the BPS to achieve competition for the transportation contract, particularly after several years of sharp cost increases

under the current provider. The members had voted in December to award the contract preliminarily to FSI, contingent on the requirement that the contractor secure leases for sites to store the Department's fleet of school buses across the city.

On February 11, FSI notified the School Department that it had secured the appropriate sites. FSI's bid of \$21.3M, which includes FY04 costs for management, mechanics, parts, administration, fuel surcharge, overhead, and the FY04 FY09 costs for workers' compensation insurance, was substantially less than its competitor Laidlaw's bid of \$48.2M. During FY04, the estimated cost for the contract, including drivers' wages and fuel, will be \$51.1M, which represents level funding with FY03.



## CHARTER SCHOOL GROWTH

Plans to cut Boston's public school budget for FY04 in anticipation of a

10% cut in local aid have focused more attention on the Chapter 70 school aid that follows Boston students to charter schools. Chapter 70 charter school tuition payments are estimated to be \$48.1M in FY04, an increase of \$12.5M over this year's figure of \$35.6M. Currently, Boston pays a tuition rate of \$9,958 for each student attending any of the 12 charter schools in Boston and three regional charter schools. During FY04, 42.3% of all charter schools in Massachusetts either will be located in Boston or will accept Boston students as regional charter schools. Next year, these schools will increase enrollment by 346, and four new charter schools will open with up to 372 students, bringing the total up to an estimated 4,292 students.

While criticized for taking state aid away from the BPS, the charter schools offer public school alternatives with greater flexibility in educational structure and teacher selection to Boston families. A tuition reimbursement plan that phased out the Chapter 70 loss to towns over three years was eliminated in FY03. Governor Romney's revised Chapter 70 plan does give some credit to communities for additional charter school students in the base cost per student for each community. Legitimate concerns have been raised, however, that because the tuition is based on the district's average costs per pupil inclusive of Boston's high special needs and bilingual costs, it transfers a higher tuition than warranted for regular education students going to charter schools. Boston's per pupil cost for a regular education student this year is \$8,331.

The Mayor has introduced legislation intended to address these issues in charter school funding. The Legislature should consider these bills and the Governor's revision of the cost per student base to ensure fairness in charter school funding formulas.

## 4-PART BOND SALE

The City sold bonds of \$162M on February 12th at a True Interest Cost (TIC) of 4.02%. The City received 4 bids with Goldman, Sachs being the winning bidder. The bond issue was divided into four separate components as shown below.

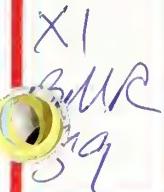
\$75.00M	GO bonds for capital program
33.50M	Purchase of 1010 Mass. Ave. building
25.00M	Convert school BANs to GO bonds
28.52M	Refunding of 1993 bonds
	\$162.02M

The \$75M for general capital purposes is the smallest issue in the past five years and compares with bond issues of \$100M in FY02 and \$120M in each of the three years prior to that. In addition to the \$162M sale, the City issued \$34M in BANS (bond anticipation notes) for additional financing of the three new schools that will open in September.

The refunding bonds of \$28.5M produced a net present value savings of \$1.3M. From this issue and 3 others in 2002, the City will realize a total present value savings of \$17.3M on future debt service costs, starting with \$4.5M in the FY04 budget.

## HOW BOSTON IS RATED

Moody's kept Boston's bond rating at Aa2, while Standard & Poor's and Fitch IBCA retained its ratings of AA as all three gave the City high marks for the Administration's steady financial performance and careful debt management. Boston's diverse economic base, the major public investments that are generating significant private development interest and its growing tax base allowed Boston's economic outlook to remain stable. The rating agencies expressed confidence that the City would manage successfully the significant budgetary pressures caused by local aid cuts in FY03 and FY04 by its proven willingness to implement stringent cost control measures and by prudent use of its ample reserves. The City's debt burden is considered modest and conservative debt policies are expected to be maintained, such as keeping debt service costs at 7% of annual expenditures. Credit concerns noted by the rating agencies include the City's vulnerability to continued state aid cuts, the effects of Proposition 2½ on operations and growing debt levels.



# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

APRIL/MAY 2003

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## Save The Date

### Shattuck Awards

**Tuesday, October 7, 2003**

Ceremony 6:30 P.M.  
John Hancock Hall

Honorees will be announced in July.

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For more information call Diane Smith at 617-227-1900.

## FY04 BUDGET NOTE

The Council is expected to reject the Mayor's budget without prejudice on June 11<sup>th</sup>. The Administration and Council will then have two weeks to negotiate changes and the Administration will re-submit its budget prior to the Council's scheduled June 25<sup>th</sup> vote.

Don't forget to visit us at  
[www.bmrb.org](http://www.bmrb.org)

## LIMITED RELIEF

On June 4th, the House approved a municipal relief package that addressed a few issues of interest to Boston but overall is limited in its benefits to cities and towns. More fundamental Civil Service reform and construction changes in filed sub bid and prevailing wage requirements were missing from the bill. No local option taxes were included. Of interest to Boston are:

- Ability to set towing fees to state maximum
- Increase formal bid level from \$25,000 to \$100,000
- Eliminate Boston's 5% overlay requirement
- Provide for quarterly payment of jet fuel excise
- Authorize bi weekly payrolls subject to negotiation
- Create an urban center housing tax increment financing plan to encourage housing construction

## BUDGET BRIGHTENS

As the Bureau cited in its May 19th Special Report, Boston's FY04 budget appears brighter because the City may receive between \$60M - \$75M more in state aid than it budgeted in April. The House-Senate Conference Committee could make a budget recommendation near the midpoint of that range. Boston's final state aid will be determined when the Governor signs the budget into law, which is expected sooner than in past years. The final amount likely will produce a cut in local aid of approximately \$30M, the second consecutive year of local aid reductions.

The prospect of more local aid is good news but brings with it the responsibility of determining the right balance between restoring services and maintaining adequate reserves. New funds should be used to maintain school class size limits, pay step and lane salary increases and strategically restore positions in schools and central administration. The City also should consider adding a police class in FY04. Departmental efficiencies proposed in the Mayor's budget should be implemented regardless of the final state aid amount.

## FUTURE URBAN RENEWAL?

Discussions about the City Council's oversight role in Boston's Urban Renewal program have resulted in an agreement between the BRA and the Council that the Council will be included in the approval process for the extension of 21 active Urban Renewal plans in the city. The state Department of Housing and Community Development (DHCD) also provides some oversight of this housing and economic development program, which began in 1949. The BRA assumed implementation authority for Urban Renewal in Boston via state legislation in 1957, and controls redevelopment under plans approved by the Council and DHCD mostly in the 1960s and 1970s. Though eight plans will expire by 2006, current laws and regulations do not clearly define the process for extending them. A mayoral task force developed draft options for codifying the extension process, and the BRA and DHCD agreed on an interim, short term extension mechanism for two Renewal Areas. Discussions between the BRA and the Council will continue in the coming weeks.

## NEW FEES, NO PROCESS

Without an opportunity for the public to comment, the City Council increased the cost to get a marriage, death or birth certificate in Boston by 100%. Parking fines in no loading zones, bus stop zones, downtown Zone A and no stopping/standing zones in the City would also increase on average by 76%. Fines for "no parking" violations in the downtown area alone will increase from \$30.00 to \$55.00. All together, Boston is expecting to raise an additional \$3.1M in FY04 as a result of the increases in the 14 different fees and fines approved by the

City Council on April 30th. These increases will be enforced beginning July 1, 2003.

To be able to pay the cost of printing new tickets from the FY03 Transportation Department's budget, the Menino Administration convinced the Council to accelerate approval without a public hearing. Instead, the Council interrupted its regular weekly meeting to conduct a brief fact-finding session to receive testimony from only one representative of the Transportation Department. The fees

and fines increases were approved by the Council by an 8-3 vote, with two absent. The City Council should not approve any financial measure without first holding a legally noticed public hearing.

### SELECT FEE/FINE CHANGES

- Intention of Marriage Certificate  
Current \$25.00 ---- New \$50.00
- No Parking, Zone A  
Current \$30.00 ---- New \$55.00
- No Parking, Stopping/Standing  
Current \$40.00 ---- New \$75.00

## CITY SEVERANCE PAY

The Menino Administration's implementation of two early retirement incentive (ERI) programs, come with an added cost of severance payments owed to the departing employees. Severance payments for unused sick time are common in Boston's collective bargaining contracts. City employees receive 15 sick days per year that can be accumulated and later reimbursed at the then-current salary based on a percentage of accumulated days or maximum number of days depending on the bargaining contract. A smaller number of contracts also allow reimbursement for a capped number of vacation days. Some contracts allow the employees to buy back annually any of the first five sick days not taken.

These benefits add to the employee costs of city government as was demonstrated in October 2002 when 476 employees took advantage of the ERI program. The aggregate severance payments of \$1.9M for city employees and \$2.7M for school employees cut into the savings generated by the ERI. For example, the average severance payment for 6 employees from MIS was \$21,380 and the average for 15 from Parks was \$9,323.

Boston teachers also receive 15 days annual sick leave that can be accumulated yearly without limitation. Teachers who retire, resign or die after 10 years of teaching in the BPS will receive 40% of the accumulated sick days based on the current rate of pay. Payment is made to the estate if the teacher dies. In the 2001-2002 school year, 182 teachers retired and received an average total severance payment for unused sick days of \$36,239 paid over two years.

## REDEPLOY SWORN FORCE



The Police and Fire Departments should proceed with plans to redeploy sworn personnel to more essential service areas in response to declining personnel totals. Both departments have experienced a reduction of sworn staff in recent years, primarily due to retirements. They should continue with plans to increase efficiency among their sworn staffs, regardless of whether additional funds are restored to their proposed FY04 budgets.

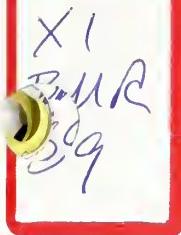
BFD should push ahead with its intention to eliminate two fire districts and to consolidate positions in the Marine and Fire Alarm units. BPD should pursue aggressively its proposal to redeploy 69 officers from administrative to patrol positions. The issue is currently on the bargaining table. If successful, the proposal will allow the department to hire civilians to perform administrative duties and to replenish the Bureau of Field Services with sworn staff currently in administrative positions.

### Fire Department

Position	Jan. 2000	May 2003	Change	% Change
Firefighters	1,225	1,150	(75)	-6.1%
Superior Officers	364	388	24	6.6%
Total	1,589	1,538	(51)	-3.2%

### Police Department

Position	Jan. 2000	May 2003	Change	% Change
Police Officers/ Detectives	1,837	1,704	(133)	-7.2%
Sergeants/ Sgt. Detectives	295	285	(10)	-3.4%
Other Superior Officers	113	109	(4)	-3.5%
Total	2,245	2,098	(147)	-6.5%



# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

JUNE 2003

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## Financial Bids

The City has issued requests for qualifications for Financial Advisor and Bond Counsel. The three-year contracts for the incumbents, Public Financial Management and Palmer & Dodge, respectively, are about to expire. The City will award the Financial Advisor contract on July 3<sup>rd</sup> and the Bond Counsel contract on July 12<sup>th</sup>.

## Election '03

2003 is an election year for the 13 Boston City Councilors. Key dates for candidates seeking this \$75,000 per year positions are:

July 25- Last day to file nomination papers  
 September 23- Preliminary Election  
 November 4- Final Election

\* \* \* \* \*

For more information on issues facing the City of Boston logon to [www.bmrb.org](http://www.bmrb.org)

## OMINOUS SIGN

In a political move with no educational benefit, the City Council refused to consider the School Department's plan to achieve savings by contracting out custodial services in one custodian schools. The ability to contract these services was negotiated in the custodians' contract at a high cost to the City. The Council's stance required an increase in the BPS budget of \$905,000 for custodial services, funds that could have been used to restore teaching positions. The Bureau will discuss this situation more fully in an upcoming report. Of concern is the stance taken by the Council and what implications it may have for future collective bargaining negotiations. After August 31<sup>st</sup>, every major employee contract will have expired and the Menino Administration will have to negotiate new contracts, presumably before the start of the Democratic National Convention in July 2004. The Council should be prepared to support the execution of contract provisions for which it approved funding.

## RESTORE '04

The City Council, on June 26th, approved the City's FY04 operating budget of \$1.806B, a decrease of \$18.5M or 1.0% from FY03 but \$54.2M more than the Mayor recommended in his April budget submission. As a result, the City restored services and reduced layoffs on the expectation that the State will provide \$64.1M more in local aid in its final budget. Selected restorations:

- Reduce budgeted non-school layoffs from about 500 to approximately 100
- Increase the BPS budget to \$646.1M, a reduction of \$4.5M or 0.7% from FY03. Estimated BPS layoffs are reduced from 1,684 to 742 - 34 teachers and 708 non-teachers
- Add a new Police class of 60
- Stop the layoffs of 40 firefighters
- Establish a reserve for collective bargaining of \$17.0M

The City's estimate of a \$64.1M restoration in local aid is reasonable, and its application of only \$54.2M of that amount to the operating budget is prudent. This approach allowed the City to apply \$5.0M to reserves, thus reducing the amount of reserves needed in FY04 from \$30.0M to \$25.0M. Also, the City retained nearly \$5.0M to help offset any further local aid cuts. When the numbers are set based on the approved state budget, any balance should reduce further the City's use of reserves.

## EARLY RETIREMENT 2

About 507 city employees will take advantage of the City's Volunteer Retirement Incentive program and retire as of June 30, 2003. As an incentive to participate in the program, the City has offered a one-time payment equal to 20% of annual salary to employees who are at least 55 years old and have 20 years of creditable service. The program is designed to allow eligible employees to retire, and reduce the number of layoffs required in FY04. The largest number of retirements is expected in the departments of Schools (338), Police (96) and Fire (47), since teachers, police officers and firefighters were not eligible for the state authorized Early Retirement Incentive program that resulted in 476 retirements in October of 2002.

## BPD 2002 COMPENSATION

The Boston Police Department spent \$189 million on compensation for sworn staff during CY02. Analysis of the earnings reveals that 60.9% of that total supported base salaries. Overtime and paid details combined comprised 26.5% of the total. Total Quinn Bill costs for CY02 are not included due to a change in the disbursement method. The FY03 cost of the Quinn Bill is estimated at \$15.6M, representing 8.1% of the FY03 budget for compensation. Employee compensation represents 87.4% of the Police Department's total FY03 budget.

### BPD Uniformed CY02 Earnings Summary

Pay Category	Total	% of Total
Base Salary	\$115,235,206	60.9%
Paid Detail	27,536,616	14.5%
Total Overtime	23,485,604	12.4%
Specialist Ratings	12,897,723	6.8%
Differential	8,542,699	4.5%
Uniform Allowance	1,414,180	0.7%
Out of Grade	245,041	0.1%
<b>Total</b>	<b>\$189,357,070</b>	<b>100.0%</b>

## PENSION RETURNS

The State Boston Retirement System's (SBRS) investment return in 2002 was -9.73% with asset growth declining from \$2.9B to \$2.7B, the same as its market value in 1998. The median Massachusetts return was -8.76%. The SBRS' investment return over the past 18 years (1985-2002) has been 9.53%, which exceeded the City's annual investment return assumption of 8.00%. As of January 2002, SBRS' pension liability was 69.5% fully funded, down from 72.7% two years ago. Boston's pension liability was scheduled to be fully funded in 2020 but was extended to 2023 as the City stretched payments out 3 years to minimize the pension budget's growth in FY04. Boston is the 3rd largest of the 106 public pension systems regulated by the Public Employee Retirement Administration Commission (PERAC) whose Annual Report provided this data.

### Retirement Board Investment Return

System	Funded		Year Fully Funded
	2002 Return	'85-'02 Return	
State Teachers	-8.99%	10.02%	76.2% 2023
State	-8.99%	10.00%	79.5% 2023
Boston	-9.73%	9.53%	69.5% 2023
Middlesex	-4.49%	9.61%	58.7% 2028
Brookline	-4.86%	9.82%	68.4% 2023
Cambridge	-6.78%	10.41%	89.4% 2009
Worcester	-12.15%	9.48%	92.4% 2028

## TAX-EXEMPT PROPERTY

Tax-exempt institutions own 52.8% of the City's 44.3 sq. miles of real estate. The following facts clarify who owns this property as the issue of seeking more money from tax-exempt institutions has resurfaced of late:

- Of the 23.4 sq. miles of exempt property, 79.9% is publicly owned, and only 20.1% is privately owned
- Religious institutions represent 7.0% of all exempt land, educational institutions represent 6.0% and charitable institutions including hospitals about 3.7%
- PILOT payments are budgeted at \$20.4M in FY03. Of this, Massport will pay \$7.7M and universities/hospitals \$9.7M

Tax-exempt institutions make a vital contribution to the city and regional economy. The full range of contributions made by tax-exempt institutions and their relationships with businesses should be evaluated before seeking additional PILOT payments from them.

## OVERLAY REDUCTION

Boston potentially will have approximately \$10M available for operations or reserves in FY04 if a proposal to reduce Boston's overlay requirement is approved by the General Court and Governor. The bill would eliminate the legal requirement that Boston raise an overlay for abatements of at least 5% of its net levy, a requirement that has existed since 1957. The bill would allow Boston to determine its overlay requirements for the levy year, which then would have to be approved by state Department of Revenue at the time the tax rate is set, the same as all other Massachusetts communities. The Bureau believes that a more prudent change would be to amend the existing law to require the City to maintain a legal discipline of raising an overlay of at least 3% but no more than 5% of the net levy.

Based on the existing law, Boston included an overlay of \$51.7M in its FY04 budget. However, if the bill is approved or incorporated into a municipal relief package now before the Legislature, the City could establish its overlay at a lower number. In fact, over the last few years, Boston has paid abatements totaling less than 2% of its net levy. However, FY04 is a revaluation year and the Commissioner of Assessing has suggested that the City raise an overlay of 4%, which would reduce the current budgeted overlay by approximately \$10M. The Commissioner of Assessing will determine over the next few months the extent that prior year abatement reserves are no longer required. These funds constitute a healthy share of the City's overall reserve funds and should be protected. What limited funds are used should be considered non-recurring revenues and therefore applied to one-time expenses.

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July 2003

# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

333 Washington Street, Suite 854, Boston, Massachusetts 02108  
 Phone: 617.227.1900 • Fax: 617.227.2815 • [www.bmrb.org](http://www.bmrb.org)

## The Bureau is pleased to announce the 2003 Shattuck Public Service Award Recipients

- ★ Julius Ron Atkins, Custodian  
Hyde Park Library
- ★ Geraldine M. Cuddyer, Director  
24 Hour Constituent Services
- ★ Sheila A. Dillon, Deputy Director Housing  
Department of Neighborhood Development
- ★ Dudley N. Hill, Patrolman  
Boston Police District C 6 South Boston
- ★ Ernest L. Hughes, Jr., Senior Street Worker  
Boston Centers for Youth and Families
- ★ Joan Owens Pierree, Secretary  
Cleveland Middle School
- ★ Beverly J. Pina, Senior Staffing Specialist  
Boston Public Schools
- ★ Kenneth M. Smith, Custodian  
Conley Elementary School
- ★ Michael Spenee, Firefighter  
Ladder Company 9 Charlestown
- ★ Maureen M. Yamartino, Laboratory Manager  
Boston Police Crime Laboratory

## 2003 Shattuck City Champion Award Recipients

- ★ John P. Hamill, Chairman & CEO, Sovereign Bank, New England Division
- ★ Linda Whitloek, President & CEO, Boys & Girls Clubs of Greater Boston

## NEW PILOT SCHOOLS

Four schools have completed successful applications to become pilot schools. All four were given planning grants by The Boston Foundation to study the feasibility of converting. The upcoming school year will be a transition year, and the schools will embrace pilot status officially in school year 2004-05. Also, four other schools that received grants will be considering conversion to pilot status later this year.

### Converting Schools:

- Another Course to College
- Lee Elementary
- Mason Elementary
- North Zone Early Learning Center

## BOSTON'S BUDGET BEGINS ANEW

### FY04 SERVICE CUTS

- The School Department will have to cut back support services in individual schools, and reduce MCAS tutoring system wide.
- There will be some delays in park maintenance and cleaning.
- The Fall and Spring cleanup program will be limited.
- Fewer summer jobs will be available for city youth.
- The City Hall Registry will be closed on Wednesdays.
- The BPL will buy fewer new books.

## MUNICIPAL RELIEF

The municipal relief bill, expected to be signed by the Governor shortly, was disappointing to municipal officials who had expected more significant help, such as new local option taxes, to help mitigate local aid cuts. Instead, the bill authorizes increases in certain fees and fines and limited regulatory relief. Of relevance to Boston are provisions that:

- Eliminate the requirement that Boston raise 5.6% of its net levy for the overlay reserve for abatements.
- Authorize Boston to raise its towing fee from \$12 to the state maximum of \$75.
- Remove the tax exemption for lessees of municipally owned parking facilities.
- Authorize payroll schedules to be adjusted from weekly to bi-weekly, subject to collective bargaining negotiation.
- Increase the surcharge on leased vehicles from \$0.30 to \$0.60 per transaction.

A District Improvement Financing plan to promote private development is included and could be beneficial if selectively used. Final wording has not been resolved. Preliminary estimates indicate that \$12M could be available to Boston in FY04 as a result of the bill, primarily due to the overlay change.

## STILL THE ONE



Boston is still the highest-ranking city in the U.S. for National Institutes of Health (NIH) grant awards in 2001 according to an April 2003 report by the Boston Redevelopment Authority. In

2001, Boston received 3,269 awards totaling \$1.2B. New York City ranked second at \$1.1B, followed by San Diego at \$755M. Boston's leadership position is attributable to its world-renowned tax-exempt colleges/universities and medical schools. In many cases, the NIH grants are partially or fully matched by other grants, expanding their financial impact and making the institutions a major driver of Boston's economy. The top ten recipients in NIH funding in Boston in 2001 were 7 hospitals/medical centers and 3 universities. Harvard University was the top recipient at \$235.8M, followed by Mass General at \$208.9M and Brigham and Women's at \$177.6M. The Longwood Medical Area (LMA) brought in a total of \$484M. If LMA were considered a city, it would rank 8<sup>th</sup> in the nation in NIH funding. To help increase Boston's pace of health care and biotechnology research, new research facilities are being planned with 4.1M sq. ft. now in the pipeline. That compares with almost 2.0M sq. ft. built from 1991 to 2000.

## TEACHER LAYOFFS

The BPS teacher staffing process has become extremely complex this year since officials are trying to minimize the final number of permanent teachers laid off. Currently, there are 194 permanent BTU members, both teachers and support professionals, who have received layoff notices. The department is administering its annual staffing process now, during which teachers can apply to transfer to available positions in other schools. During the next phase of the process, officials will attempt to match all unassigned teachers, including those who have already received layoff notices, with one of the roughly 650 open positions in the system. Any laid off teacher whose certification does not match with an available position will then be placed on the final layoff list. BPS officials have estimated that the final list could contain as few as 34 permanent teachers, but that total depends on the School Department's application of its \$27.1M restoration, which is expected by September.

The BPS also has released 690 provisional teachers from their positions. These are teachers who had not received tenure and to whom the BPS owed no contractual obligation for next year. It is probable that after the staffing process is completed, there will still be vacancies, especially in critical subject areas like Special Education and Math. At that point, BPS officials will hire provisionals to fill those vacancies after they exhaust options for placing permanent teachers. This process is expected to continue throughout the summer and into the beginning of the new school year.

## BIDFA: BONDS FOR JOBS

The Boston Industrial Development Financing Authority (BIDFA), an arm of the EDIC, helps Boston businesses access several types of tax-exempt development bonds. Any company that seeks BIDFA financing must show that the project will retain or create jobs in Boston. BIDFA issues tax-exempt bonds on behalf of a qualified project. BIDFA bonds offer an interest rate lower than conventional loans, attracting businesses to stay or expand in Boston. The credit of the borrower, and not the City, is pledged to repay the bonds. Primarily manufacturing, industrial, cultural, educational and non profit businesses and organizations apply for BIDFA bonds to finance capital projects such as equipment acquisition or facility construction.

To receive BIDFA financing, an applicant must receive approval from the BIDFA Board and the City Council. Approximately 4-7 bonds are issued annually. Past BIDFA bond recipients include Legal Seafood, Jet-A Way Corp., JFK Family Services Center, New Boston Seafood Center and Winthrop Printing Company.



# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

August, 2003

NOTES



NEWS



## Research Bureau Wins National Award

The Research Bureau received the Governmental Research Association's *Outstanding Policy Achievement Award* for local government at its national conference this summer. This prestigious award was given for our reports and work regarding educational reform in the current Boston teachers' contract.

This award recognizes the tangible improvements in public policy, management, service delivery or cost savings as a result of an organization's reports, recommendations and actions.

## FINANCIAL TEAM

The City's financial team will stay in tact as the Menino Administration last month selected Palmer & Dodge as its Bond Counsel and Public Financial Management as its Financial Advisor. Both firms were the low bidders and received one-year contracts with the option for two one-year renewals.

Visit us at [www.bmrb.org](http://www.bmrb.org)

## ELECTION 2003

Based on the nomination papers received, Boston's preliminary election on September 23<sup>rd</sup> will have three races. Candidates will be certified on August 20<sup>th</sup> but it appears that incumbents Charles Yancey (District 4) and John Tobin (District 6) will have two challengers each. Seventeen candidates submitted papers for the at-large race. The top eight finishers in this race will appear on the final ballot on November 4<sup>th</sup>.

## RESERVES 101

The Menino Administration is in negotiations with all the major employee unions that believe that the City has reserves that can be tapped for salary raises. The city budget does provide for a \$17M collective bargaining reserve for FY04. The City did report an undesignated fund balance of \$345.8M as of June 30, 2002. However, this fund balance is based on national Generally Accepted Accounting Principles (GAAP) and those dollars cannot be appropriated for operations.

Why? Because the Commonwealth of Massachusetts' statutory accounting standard requires the City to first delete legally required reserves (Tregor), accrued receivables, abatement reserves and goods and service commitments and add deferred tax revenues and other accrued revenue that combine to produce a smaller \$114.8M statutory fund balance. When the City submits its FY03 financial statements to DOR in September, the Bureau of Accounts will exclude other receivables and fund deficits from the statutory fund balance and certify what's left as budgetary fund balance (free cash) that can be appropriated for operations. The Administration has estimated that DOR will certify between \$65M and \$70M. The City's FY04 budget includes \$25M of budgetary fund balance. What is left is intended to be used over the next two years to fund extraordinary and non recurring costs in anticipation of cuts or limited change in local aid.

The overlay reserve for abatements is also a factor and the Administration will take action based on a review underway regarding what surplus might be available from earlier levy years. Such action will be dictated by the City's fund balance policy that the GAAP undesignated fund balance should not go below 10% of the GAAP general fund expenditures and should be applied for only specified purposes.

Budgetary fund balance and overlay surplus funds are non recurring and will have to be applied judiciously over the coming years. Boston must retain healthy reserves for future flexibility, credit rating purposes and existing long term liabilities. Neither the budgetary fund balance nor overlay surplus should be used for recurring operational expenses of funding new collective bargaining agreements.

## LOANS, HOTELS & JOBS

Mayor Menino unveiled the City's \$40M Hotel Development Loan Fund on August 6<sup>th</sup> to help selected hotel developments in Boston access the gap financing needed to proceed with construction. The City will receive a \$40M loan from HUD under the Section 108 Loan Guarantee program with the City's future CDBG grant monies used as collateral. That money will then be loaned probably to three qualified hotel development projects that are ready and approved to move forward but for a final piece of gap financing. The loans will be repaid to the City and in turn to HUD, from the revenue generated by the project.

The Loan Fund is good for Boston at this time because it is a strategic use of resources that will create jobs, generate revenue and is structured to limit the City's financial risk. The City estimates about \$12M annually will be generated from the hotel excise and property taxes and another \$6M generated from linkage fees paid by developers. A rate of return of at least 12% from the loan is expected.

The City will meet HUD program rules that 1 job be created for at least every \$35,000 of loan amount, or about 1,100 jobs in the current program. Federal rules also require that 51% of the jobs created must be made available to, or

occupied by, low moderate income people who earn between 50%-80% of area median income.

The City's risk is relatively low since eligible hotel developments must demonstrate at least 30% equity and funds will be used only to finance projects that would not otherwise move forward without gap financing, thus limiting funding of any one project to 10%-15%. The equity will be in a junior position to the HUD 108 loan. The City plans to identify the projects it will fund and acquire all needed HUD approvals in time for construction to begin at the selected hotel sites in 2004.

## PERSONALITY GROWTH

Boston's FY04 tax levy may increase by up to \$4.0M more than budgeted as a result of a move by the state Department of Revenue (DOR) to include for the first time for taxing purposes the personal property value of all machinery of telephone and telegraph entities that are partnerships or LLCs. DOR, not the municipalities, establishes the personal property value of the machinery, poles, wires and underground conduits, wires and pipes of telephone and telegraph companies that are certified by the Commonwealth. Until this year, the machinery value of partnerships and LLCs was limited to generators but now all machinery, including switching equipment, will be valued. DOR based its policy change on a recent decision by the Appellate Tax Board and a 1999 Supreme Judicial Court ruling. The affected telecommunication providers are appealing this policy change but both DOR and Boston are confident that this position will be upheld. New personal property growth certified for Boston totals \$309.5M. Because of the City's aggressive push to capture new personal property over the past few years, Boston's growth in this category was not expected to reach that level. Bell Atlantic Mobile (\$92.9M), MCI Metro Access (\$68.6M) and Sprint Communications (\$51.3M) represent the largest new growth.

## NEW WAY TO VOTE

With election time around the corner, the Boston Election Department has ordered 265 "optical scan" voting machines through a seven year lease purchase agreement. These optical machines will replace the 900 lb. "lever" machines that Boston has used since the 1940's. By acting now, under the Help America Vote Act of 2002, the federal government will reimburse the City for 60% of the \$1.5 million cost.

Critics of the optical machines recommended a "touch screen" voting system, in which the machines resemble ATM's. A voter would select a candidate using a computer instead of a paper ballot, which the optical system requires. Touch screen voting systems are not certified to be used in any election in Massachusetts. Furthermore, the touch screen technology is more prone to fraud and not always accurate, as reported by several major research institutions. The touch screen machines would cost Boston more due to a state law that requires Boston to purchase 1 machine per 125 registered voters. The cost would be eight times the aggregate of the optical scan machines. The optical scanning machines were successfully tested in the City Council District 9 special election last year and are scheduled to be used in the upcoming City Council preliminary election on September 23<sup>rd</sup>.



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# Bureau Update

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September 2003

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NEWS

NOTE

## Shattuck Awards

Don't forget . . . the 18<sup>th</sup> annual *Henry L. Shattuck Public Service Awards* will be held on October 7, 2003 at 6:30 P.M. - John Hancock Hall. All are invited. For more info contact Diane Smith at 617-227-1900.

## Election Results

13% voter turnout

In the September preliminary election, all 4 current At-Large Councilors finished in the top 8. This qualifies them to participate in the final election run-off on November 4, 2003. For detailed info on the preliminary election, go to the Research Bureau's website at [www.bmrb.org](http://www.bmrb.org)

## ... BY ANY OTHER NAME . . .

The Boston Tenant Coalition (BTC) has taken the lead in bringing back a home rule petition to re-institute rent regulations on selected rental housing units in Boston. The BTC plan, Community Stabilization: Tenant and Small Property Owners Protection Act, has been distributed to City Councilors but is not yet formally before the Council. The plan is expected to be introduced and assigned to the Government Operations Committee soon.

The proposed plan, which follows last year's home rule petition presented by the Mayor and voted down by the Council, has been revised to ease restrictions on rent increases contained in the original petition. The plan also adds new sections to assist certain small property owners whose units are threatened with financial difficulties including foreclosure, predatory lending and code violations resulting from insufficient operating income to make required repairs.

Specific changes to the rent increase regulations in the new petition include: 1) Elimination of "base rents"; 2) Elimination of the 15% cap on allowable rent increase when a unit turns over; 3) Units exempt from rent regulation are expanded to include six or fewer units owned by one person, if the owner occupies one of the units; 4) While owners are still restricted to one rent increase per year, they are allowed to set the increase at the higher of two benchmark percentages, not the lower, as previously proposed.

## FY03 CITY SURPLUS

The Research Bureau's analysis that Boston would be able to manage through FY03 even with a local aid cut *after* the start of the fiscal year was affirmed by the City's year-end results. The FY03 financials show that Boston finished with a \$1.8M surplus on a budget of \$1.8B or 0.10%. Other revenue sources generated receipts over budget estimates, offsetting local aid cuts of \$23.5M and producing a revenue surplus of \$5.6M. On the expenditure side, even with disciplined spending control, overall spending exceeded the budget by \$3.8M, primarily due to the Fire Department and Snow Removal. Schools finished with a surplus of \$17,161 due to a strict spending

control plan and aggressive utilization of general and grant funds.

### KEY REVENUES OVER BUDGET:

121A development +\$7.8M	Workers' Compensation +\$1.3M
Motor Vehicle Excise +\$7.6M	Prior Year Reimbursements +\$1.9M
Aircraft Fuel Excise +\$5.2M	Building permits +\$5.1M
Municipal Medicaid +\$3.6M	Massport PILOT payment +\$3.2M

However, the City collected \$2.3M less in parking fines than expected.

For the second consecutive year, the Fire Department ended the year with a deficit, partly due to overtime expenses because of

sick leave utilization by firefighters. The Fire Department's deficit in FY03 was \$6.8M, up from \$2.5M in FY02. Snow removal costs over budget totaled \$5.4M last year and Property Management incurred a deficit of \$195,681 due to Municipal Police overtime for coverage of Housing Authority properties.

The Administration made a timely effort to control spending to meet the fiscal reality, steps that carried over to FY04. A position control process and an early retirement offering helped reduce personnel costs, the largest component of city spending.

## BID NEXT STEP

The plan to establish a Washington Street Business Improvement District (BID) took the next step when the Legislature's Joint Committee on Commerce and Labor held a hearing on September 15<sup>th</sup> on the bill (H.3815). The home rule petition authorizing the creation of the BID was approved by the Mayor and City Council in August 2002. Senator John Hart, Senate Chair of the Committee, plans to bring together the proponents and other parties in an effort to reach compromise on a few issues before the Committee approves the bill and sends it to the House and Senate for action.

### Nuts 'N Bolts Of The Bid

- Assessment on businesses in the district funds the BID.
- Budget of approximately \$3.6M.
- BID will enhance the area by providing additional street maintenance, litter removal, marketing, public information and social services.
- The City will agree in a Cooperation Agreement with the BID to provide the same level of public services it currently provides.
- Following state approval, creating the BID would require approval of 75% of the taxable property owners who voted in an election and who represented at least 51% of the taxable assessed value.

The assessment formula is structured so that the largest buildings occupying the most land would pay the highest amounts. For example, a 20,000 sq. ft. building on a 10,000 sq. ft. lot could pay as much as \$11,300 per year. If approved, the BID would operate for five years, after which a whole new approval process would be required to extend it further.

## MVE TARGETED

An initiative petition effort is underway to repeal the state's 75-year-old motor vehicle excise tax in FY05. If successful, cities and towns would lose about \$600M. For Boston, based on FY04 numbers, that would mean \$38M. Registered vehicles and trailers are taxed at a rate of \$25 per \$1,000 of value.

The Axe the Auto Tax Committee must collect 65,825 certified signatures by November 24, 2003 to have the initiative forwarded to the state Legislature in January 2004 for its consideration. If the Legislature enacts the initiative and the Governor signs it by May 4, 2004, it would become law in FY05. Otherwise proponents would have to secure another 10,971 signatures by June 28, 2004 for a 2004 ballot initiative.

Proponents claim the excise is regressive and hurts working families and that cities and towns can do without this revenue. Opponents argue cities and towns cannot afford to lose revenue that comprises around 3.4% of local budgets after two consecutive years of local aid cuts.

## NO TAX AMNESTY

Plain and simple, Boston doesn't need a tax amnesty program for overdue property taxes and motor vehicle excise payments as authorized by the state this year. Here's why....

- Procedures are already in place that provide sufficient incentives for tax payment and compensate the City for late payment.
- The City's FY04 budget is balanced and the City is not facing a cash flow problem for which new or additional revenues are needed to meet existing, authorized expenses.
- A tax amnesty program sends the wrong message to the responsible taxpayers who pay on time.
- The program would require additional administrative costs to be implemented.
- Boston's collection of its property taxes now represents approximately 98.6% of its gross levy.
- Delinquent real and personal property taxes are subject to a 14% annual interest charge that can go up to 16%.
- The Registry of Motor Vehicles will not renew a driver's license or vehicle registration until the overdue motor vehicle excise tax is paid.
- Boston faces a budget challenge due to local aid cuts, not a cash flow problem that might be helped by an amnesty plan.

## SPENDING RANK

The latest ranking of state and local spending by *Governing Magazine* paints an interesting picture of Massachusetts as a high revenue and spending state on a per capita basis but less so on a percent of personal income basis. Data is available only on a statewide basis so that it is not possible to compare Boston with other comparable cities, a far more complicated task. Intra-state comparisons are difficult enough and not as precise with apple to apple comparisons as we would like but the general trends from the FY00 U.S. Census Bureau data are worth noting. Highlights of selected rankings from the 2003 Governing Sourcebook are listed below.

### How Massachusetts (State & Local) Ranks

Category	Per Capita Rank	% Personal Income Rank
Personal Income Tax	2	5
Sales Tax	44	45
Corporate Income Tax	6	10
Property Tax	9	17
Fees, Charges, Interest	32	44 *
Total Spending	8	40
K-12 Education	10	49
State & Local Debt	3	1*
Fire Protection	3	8
Police Protection	8	24
Parks & Recreation	46	49

\* Rank based on total revenue, not personal income.



# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

October 2003

SESSION

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NEW

IN

## SAVE THE DATE FEBRUARY 24, 2004 BUREAU'S 72<sup>nd</sup> ANNUAL MEETING

**Keynote Speaker, Mayor Thomas M. Menino**  
For more details call Diane Smith at 617-227-1900.

### MAYOR APPOINTS CFO

Lisa Signori was appointed as Chief Financial Officer by Mayor Menino on October 2<sup>nd</sup>. Ms. Signori, the City's Budget Director since 1999, will oversee all the City's financial matters, including the Treasury, Assessing, Auditing and Purchasing Departments, the Office of Budget Management and Retirement Board.

### SCHOOL COMMITTEE WANTS YOU

Applications are being accepted through November 17<sup>th</sup> for 2 four-year terms on the School Committee beginning January 2004. Openings are due to the expiring terms of Marchelle Raynor and Angel Amy Moreno. Both members are expected to reapply, but new candidates are welcome. For an application, call 617-635-4634 or visit [bostonpublicschools.org](http://bostonpublicschools.org).

### CLASSIFICATION SHIFT

For Boston and several other communities, a large shift in the property tax burden from the business to the residential class could occur in FY04. The expected decrease of business property values and larger increase in residential value combined with the business share of the levy being at the limit under classification could cause this shift to occur. For Boston that means the average single family tax bill could increase by \$700-\$800 or over 35% and the tax for a commercial building could decrease by 15-20%.

In order to minimize the tax increase on residential property and maintain the relative share of the tax levy between business and residential, a bill before the Legislature (H1980) would allow each municipality to increase its business share of the levy to 200% of full value share, up from 175%. The residential share could be reduced to 45% of full value, down from 50%. At the higher limit of 200%, the residential bill in Boston could still increase by \$250-\$300 or 15-18% and the business taxes could decrease by 5-8%.

Historically, Boston homeowners have benefited by the City's classification policy of allocating to the residential class the lowest allowable share of the property tax levy with the business share raised to meet the full levy limit. As a result, in FY03, business property paid \$302.1M in property taxes that would have otherwise been paid by residential owners. Classification reduced the average single family tax bill by \$1,757 in FY03. In addition, homeowners received a 30% residential exemption that reduced each bill by \$988 last year. With these two programs, the average single-family tax bill in FY03 was \$1,972. That bill was low compared to several of Boston's neighboring communities.

### COOP TAX BREAK?

Should cooperative units qualify for the residential tax exemption just like other residences? The City Council's Committee on Government Operations analyzed this question in a recent public hearing, as it considered whether Boston should accept an amendment to the Municipal Relief Package that would allow approximately 2,000 coop unit owners in Boston to apply for the exemption. The Mayor's approval is also required. The proposal was touted as a means to promote affordable housing and tax fairness. However, the amendment contains various legal and administrative flaws, which make opting into it ill-advised in its current form.

Most notably, for tax purposes coop units are not like other residences. Under state law, only the holder of the title of record is eligible for the exemption. Coop unit owners hold shares in the coop's corporation, not the title, which is held by the corporation. Even if all the legal obstacles were overcome, there is no administrative framework in place to accommodate the unique corporation-shareholder relationship to effectively manage the exemption process. Finally, the level of possible tax relief available to coop owners relative to other taxpayers raises an issue of fairness and needs to be examined in more detail. Stay tuned for more from the Council.

## *Thank you*

The Bureau acknowledges with great appreciation the following corporations for their participation in sponsoring the Henry L. Shattuck Public Service Awards for 2003

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Westin Copley Place

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# Bureau Update

*Seasons Greetings*

BOSTON MUNICIPAL RESEARCH BUREAU

November/December 2003

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## Save The Date

- **February 24, 2004**  
Bureau's 72<sup>nd</sup> Annual Meeting  
Keynote speaker:  
**Mayor Thomas Menino**  
For more information, contact  
Diane Smith at [dsmith@bmr.org](mailto:dsmith@bmr.org)
- **Property Tax Classification**  
Commission Hearing:
- **December 30, 2003,**  
10:00 A.M. Gardner Auditorium,  
State House
- **Free Cash** - On December 9th  
the DOR certified free cash for the  
City in the amount of \$61.1M. Of  
this amount, \$25M is budgeted for  
FY04 operations, subject to  
appropriation by the City Council.  
Look for more in the Bureau's  
January Update.

## F.Y.I.

### The Port of Boston:

- Supports 9,000 jobs
- Serves five of the world's largest steamship lines.
- Handles 1 million metric tons of containerized cargo annually worth \$1 billion.
- Processes 15 million tons of bulk cargo every year, including petroleum, salt and scrap metal worth \$1 billion.
- Berths 100 cruise ships every season at the Black Falcon Cruise Terminal.
- 200,000 passengers pass through its cruise terminal annually.
- Imports 10,000 Audi and Subaru automobiles and processes 10,000 trucks every year.
- An average of 200,000 lbs. of fish are off-loaded at the Fish Pier per month.
- The top New England imports include: beer & ale, wine, footwear, furniture, paper, plastic products, electronics, machinery, fish and ceramic tiles.

## TAX CLASSIFICATION ISSUE HEATS UP

Pressure is building after the Legislature decided to take a longer look at the property tax implications for residential and business properties in FY04. (See Oct. 2003 Bureau Update) Rather than approve Boston's classification bill before recessing for the year on November 19, the Legislature established a special five-member commission to report back with recommendations by January 12, 2004. The legislation (Ch. 138 of the Acts of 2003) established parameters to guide the commission in its recommendations. They are:

- The current business ceiling of 175% of full value share could be increased temporarily to not exceed 200%.
- No city or town would be able to increase its current business threshold by more than 25 percentage points. For Boston, this change would substantially reduce the residential tax increase, considerably lessen the tax decrease for commercial office properties and increase taxes for other business properties.
- The business ceiling would be reduced back to 175% in no less than four subsequent years.
- The 175% ceiling could be reached sooner than four years if growth in business value reduced the residential share of the levy to its FY03 level.

Ch. 138 authorized cities and towns using a quarterly tax payment system to issue third-quarter preliminary tax bills by any amount up to 125% of the first quarter bill. This step allows impacted communities to mitigate the large increase of the fourth quarter tax bill in April by paying a portion of the increase in the third quarter bill in January. However, guidelines issued by the Department of Revenue may limit utilization of this provision. Finally, the commission is authorized to consider mechanisms such as a small business exemption. The amount of the exemption would not reduce the tax levy raised; just shift a portion of the burden from small business properties to higher valued businesses.

In an effort to inform Boston taxpayers as legally required in this year's revaluation process and to turn up the heat on the commission and the Legislature, the City has mailed out revaluation assessment notices to all property owners. These notices will indicate their FY04 preliminary property values and their estimated annual tax bills under the current classification law. Additional materials will explain the tax changes due to the value increases or decreases and the purpose of the Mayor's proposed classification bill. With the average homeowner being informed of an \$800 tax bill increase, these notices will generate greater public and media interest in the work of the commission. The commission will hold a public hearing on changes of the classification law on Tuesday, December 30<sup>th</sup> at 10:00 A.M. in Gardner Auditorium at the State House.

## \$40M FOR HOTELS & CONDOS

Completing a process it began in August, the City selected 2 mixed use hotel/condo developments and the new Convention Center's headquarters hotel as recipients of its \$40M Hotel Development Loan Fund through HUD's Section 108 Loan Guarantee program. (See Bureau Update, August 2003) Details of the selected developments are provided below.

### \$40M Loan Fund Recipients

Parcel	Location	Loan (Millions)	Hotel Rooms	Condo Units
HQ Hotel	Convention Ctr.	\$15	1,120	0
Mandarin Oriental	Prudential Ctr.	\$15	168	105
Battery Wharf	North End	\$10	198	120
Totals		\$40	1,486	225

While the Hotel Development Loan Fund was primarily promoted to support the development of hotels that lacked gap financing, the selected projects conform to HUD's program guidelines for financial feasibility and economic development potential. Approximately 10% of the condos at the Prudential Center site will be designated affordable units, while all of the units at Battery Wharf will be market rate. All of the loan recipients are operating union-neutral projects, which allow for union efforts to organize the employees.

## BID NOT YET READY

Boston's home rule petition to establish a Business Improvement District (BID) for the Washington Street retail/office area (H. 3815) is still viable even though it was not approved by the Legislature before it recessed in November. A few remaining issues about process should be able to be resolved before the Legislature convenes in January. Initial planning for this BID started over 7 years ago and the Mayor originally submitted a plan to the City Council in 1998. The BID would provide additional services beyond those now provided by the City by focusing on litter removal, coordinated marketing, ambassador services and homeless assistance.

For a district touted as the 3rd most important retail area in the Commonwealth as measured by gross sales, the City has not provided a level of services commensurate with its needs or the amount of property taxes generated in the district. Interestingly, city funds are available for a remake of Boylston Street. Nevertheless, if the businesses in the district support the assessment fee for the higher level of services needed in this district, they should be given the chance to vote to establish the BID. Even after enactment of this bill, implementation of the BID would occur only after the BID is approved by 75% of the taxable property owners who voted in an election and who represent at least 51% of the district's taxable value. A strict sunset provision limits the operation of the BID to five years after which a whole new approval process is required to extend it further.

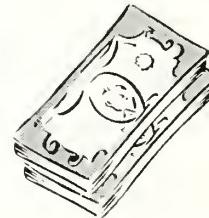
## FIRE OVERTIME = MONEY

A key question for the Fire Department in FY04 is whether it can stay within its FY04 overtime budget. The department has exceeded its overtime budget in recent years, particularly in FY02 and FY03, as evidenced by the table below. The BFD's FY04 overtime budget is almost 8% less than it was in FY03. While actual overtime spending through the first third of FY04 is less than in prior years, the department could exceed its budget again this year if overtime costs are not controlled during the rest of the year. After the first third of the year, the BFD has spent 42% of its overtime budget. The reduced spending thus far in FY04 is attributable in part to the reduction of staff in specialized units from FY03. To stay within its overtime budget this fiscal year, the department must continue to aggressively manage sick leave and control its staffing patterns.

**Fire OT, FY01 Thru. Oct. FY04  
in 000's**

Item	FY01	FY02	FY03	FY04
OT Budget	\$8,100	\$8,500	\$8,250	\$7,616
Actual Thru Oct.	\$3,780	\$3,219	\$4,791	\$3,224
% of OT Budget	46.7%	37.9%	58.1%	42.3%
Final OT Cost	\$9,477	\$11,626	\$12,004	-
Budget vs. Final	(\$1,377)	(\$3,126)	(\$3,754)	-
Final as % of Budget	117.0%	136.8%	145.5%	

## CIRCUIT BREAKER FUNDING



The BPS will be receiving an infusion of unanticipated money into its FY04 coffers due to the projected funding rate of the special education circuit breaker grant from the state. The circuit breaker will reimburse Boston for instruction of special education students that costs above four times the foundation budget level, which is \$29,320. Available funds have limited the rate of reimbursement from the 75% authorized by statute to the 35% that the Department of Education recently projected. Under this projection, Boston will receive \$7M based on claims for 1,184 students.

Since the circuit breaker is replacing the 50/50 fund that had provided similar reimbursement to towns for special education costs, Boston's net yield will be as much as \$2.6M above what would have been received under the former program. BPS officials had not assumed any additional circuit breaker funding into their budget plans because prior efforts to fund this program had failed. The circuit breaker funds will provide flexibility in guarding against currently estimated budget shortfalls.



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# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

January 2004

SESSION  
NOTES  
BY  
SWEAT  
JULY

## Research Bureau 72<sup>nd</sup> Annual Meeting

February 24, 2004

Keynote Speaker: Mayor Thomas M. Menino  
Corporate Tables \$1,000 - Individual Tickets \$100

Call Diane Smith at 617-227-1900 for more details.

### BPS Notes

- Marchelle Raynor and Angel Amy Moreno were reappointed to four-year School Committee terms. The School Committee officers for 2004 are Elizabeth Reilinger, Chair, and Marchelle Raynor, Vice-Chair.
- Superintendent Thomas Payzant was chosen to receive the 2004 President's Technology Award. The award recognizes his leadership in using technology to increase BPS student achievement.

## BPS BUDGET PROBLEM

The BPS is projecting an FY04 budget problem of \$7.2M. Salaries, purchased services, fuel, and transportation, due to increased costs for student MBTA passes, are the key accounts that are running over budget. It is expected that this gap will be closed by employing standard BPS cost reduction strategies: a requisition deadline in April, a review of all vacant positions, and maximizing grant revenue.

### SCHOOL FY05 Budget Watch:

- Aggregate FY05 school allocations will be "level service," meaning most schools will be able to fund operations similar to FY04 levels.
- Due to a new methodology for FY05, most schools will be level funded or receive slight increases over last year, while about 23 larger schools will see a drop in funding.
- The new methodology differentiates by school size, level, and program mix as well as schools serving many students with disabilities, which were most impacted by FY04 cuts. System-wide reductions will be absorbed centrally. Cost pressures are likely in utilities, food service and transportation.
- Teacher staffing process expected to be shorter than last year.

## CLASSIFICATION SHIFT OK'd

Cities and towns whose residential share of the tax levy would otherwise increase are now authorized to temporarily shift tax burden to the business (CIP) levy. Under the new law (Ch. 3, Acts of 2004) signed by the Governor on January 16, the business ceiling and residential floor will be based on the following schedules:

Fiscal Year	Maximum CIP Ceiling	Minimum R Floor
2004	200%	45%
2005	197%	47%
2006	190%	49%
2007	183%	50%
2008	175%	50%
2009, only for cities and towns that adopt the new formula	170%	50%
2009, cities and towns that do not adopt the new formula	175%	50%

The property tax bill for the average single family homeowner in Boston will increase by \$272 or 13.8% instead of \$816 or 41.4% without this legislation. The tax per square foot for a commercial office building will decrease by \$0.42 or 5.3% due to value decline. However, with a CIP tax rate increase of \$1.46 or 4.6%, other commercial, industrial and personal properties whose values remain level or increase will receive tax bill increases. (See Bureau Special Report No. 04 1).

The FY04 impact of this legislation will take effect primarily in the fourth quarter tax bill that will be mailed in April. The act established three separate study initiatives to report back to the Legislature with recommendations.

- By December 1, the DOR will offer options for temporary relief to residential owners in the future.
- By April 30, the Taxation Committee will suggest a small business exemption for communities with split tax rates.
- By April 30, the Natural Resources and Agriculture Committee will offer a plan to reclassify agricultural and horticultural land for property tax purposes.

The small business exemption deserves particular scrutiny since the effect of any exemption would be to shift the amount of the total tax reduction to other business properties within the class.

## FY04: MIDPOINT CHECK

Halfway through FY04, the City's operating budget is \$1.852B, \$45.1M or 2.5% more than the budget approved by the Mayor and the City Council last June. However, \$39.8M of this increase is due to a state mandated accounting change for the charter school tuition line item. The balance of \$5.3M is the result of mid-year adjustments to other revenue accounts. Conservative revenue budgeting gives the City the flexibility to meet spending needs that have surfaced since last July 1 as highlighted below and to address potential spending issues in the last half of FY04, such as overtime costs in the Fire Department.

Within the \$5.3M increase, the net property tax is budgeted at \$1.049B, an increase of \$14.8M or 1.4%. Most of that growth, \$9.8M, comes from the repeal of the state law requiring that 5%-6% of Boston's gross property tax be put in an overlay reserve for abatements. The City now determines its own overlay amount that it set at \$41.9M for FY04, 4.0% of the gross property tax. The remaining \$5.0M in property tax growth comes from an increase in the new growth estimate from \$25.0M to \$30.0M. Local aid is currently budgeted at \$450.9M, an increase of \$46.9M or 11.6%. After factoring in the charter school tuition change, local aid grew by \$7.0M or 1.7% as a result of the state setting a higher aid amount after the City approved its budget.

Spending for FY04 was adjusted upward by \$5.3M after accounting for the charter school tuition change. Departmental budgets increased by \$2.1M, primarily due to the City's required contribution to a federal public safety grant it received and a budget correction for Municipal Police service. Additionally, the initial FY04 pension cost estimate was revised upward by \$1.9M. Budgeted County costs increased by about \$1.0M since last June.

## FREE CASH CERTIFIED

The notion that the City has significant reserves for union contracts should be put to rest with the recent certification of \$61.1M in budgetary fund balance or "free cash" for Boston by the Department of Revenue (DOR). Boston is required to prepare financial statements using two different standards: (1) nationally recognized Generally Accepted Accounting Principles (GAAP) and (2) the Commonwealth's own statutory accounting standard. For Boston's purpose, only the Massachusetts statutory standard matters in determining funds available for spending.

Boston's fund balance at the end of FY03 using the GAAP standard was \$491.3M. However, after subtracting funds committed for specific purposes such as retirement, school summer payroll and Quinn Bill payments, the undesignated fund balance under GAAP was reduced to \$331.5M. Applying the Massachusetts statutory standard and deducting funds for reserves for encumbrances, abatements and Trevor reserves created a statutory undesignated

fund balance of \$147.1M. The City presented these statements to DOR for certification of free cash. State officials then further reduced the fund balance to cover other receivables and fund deficits in determining the free cash number. DOR certified free cash for Boston in FY03 at \$61.1M on December 9, 2003.

From this free cash, the Mayor and City Council appropriated \$25M for the FY04 operating budget for non recurring expenses, leaving a balance of \$36.1M. The free cash balance is not expected to increase measurably and will need to be carefully applied over the next few years. Free cash is non recurring revenue and should be appropriated for only one time expenditures.

FY03 Fund Account	\$ in Ms
GAAP Fund Balance	\$491.3
GAAP Undesignated Fund Bal.	331.5
Statutory Undesignated Fund Bal.	147.0
Certified Free Cash	61.1
Amount Appropriated in FY04	25.0
Free Cash Balance	36.1

## SERVICE ACCOUNTABILITY

In an upbeat State of the City Address delivered on January 13, Mayor Menino announced a new initiative of establishing Neighborhood Response Teams. Teams of public works, police, neighborhood services, transportation and parks employees in each neighborhood would coordinate efforts to provide services more efficiently. The Mayor promised to track performance and hold these teams accountable. If the Mayor carries through with this initiative, it would signal a marked shift in evaluating and improving departmental service delivery in Boston.

Tracking performance through the collection and evaluation of key indicators and statistics is being undertaken successfully in several large cities. An excellent example of the benefits of this process can be found in the Boston Police Department and its Crime Analysis Meetings that have contributed to the success of its community policing program. New York City's Mayor's Management Report program and Baltimore's CitiStat program are two good examples of efforts in other cities. Planning in Boston is still underway so the operating structure of this program has not been finalized. The Mayor's Office of Neighborhood Services is taking the lead with the Office of Budget Management providing performance indicators by department. Department head, employee and union participation in the planning will enhance its chances for success. In the past, Mayor Menino has not embraced performance evaluation, preferring, for example, to give each department head a 3% raise rather than evaluating performance in determining compensation. This initiative will only be successful if the Mayor makes it a top priority, stays committed to it and allows it to be fully executed.

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# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

February 2004

## RATING BOSTON IN 2004

NEWS &amp; NOTES

### Thank You

Thank you to John Hancock, the Platinum Underwriter for the Research Bureau's 72<sup>nd</sup> Annual Meeting.

PLATINUM UNDERWRITER



Research Bureau Officers for 2004 are:

Joanne J. Jaxtimer of Mellon New England, Chairwoman  
 Douglas S. Horan of NSTAR, Vice-Chair  
 Kenneth G. Condon of Boston University, Treasurer  
 Samuel R. Tyler, BMRB President

### BPS Appointment

Superintendent Payzant has appointed Barbara McGann, a retired Navy Rear Admiral, as the new Director of Human Resources. Ms. McGann is the former CEO of the American Red Cross of Rhode Island and a graduate of the Broad Center for Superintendents. Ms. McGann began her post on February 2<sup>nd</sup>. This is a critical appointment because recruitment, hiring and transfers are an integral part of improving teaching and learning in the classrooms.

### MAYOR'S SPEECH

Mayor Menino's annual address to almost 500 business and civic leaders at the Research Bureau's Annual Meeting on February 24<sup>th</sup> was far-ranging, covering 14 different topics. The most notice was given to the Mayor's announcement that an economic study on the Democratic National Convention showed that the 4 day event would generate \$154M, most of which would be collected by the State. His call for a share of that revenue for the City resulted in quick responses questioning that strategy. This study is the beginning of a longer look by different parties at the state-local relationship in the 21<sup>st</sup> Century that may recommend new approaches for local initiative. The Mayor also stressed the importance of protecting industrial land in Boston to preserve manufacturing jobs for Boston residents and maintain the City's diverse economic base.

Boston's bond rating was upgraded by Standard & Poor's from AA to AA in conjunction with the City's \$143.2M bond issue on February 11, 2004. Interest costs will total \$44.4M through FY24 for a total cost of \$187.6M. Standard & Poor's waited to evaluate the City's response to the difficult fiscal and economic environment of the past two years before increasing the rating. The upgrade was expected at some time to bring it level to Moody's rating of Aa2 but the timing was somewhat of a surprise given the current issues facing Boston. Fitch retained its rating of Boston at AA-.

In May 2002, the Bureau issued a comprehensive financial assessment that concluded that the City of Boston would be able to manage successfully through the last two years even with cuts in local aid, which was the conclusion reached by Standard & Poor's. The credit reports of the three rating agencies stated that their ratings reflected the City's:

- Strong management and demonstrated ability to make budget adjustments as necessary to maintain balance during difficult financial times.
- Sound financial position with sufficient reserves.
- Manageable debt burden with prudent debt policies.
- Stable, well diversified tax base that has doubled in value since 1996.

The reports noted Boston's history of balanced operations spanning eighteen consecutive years. The City's core industries of finance, health, hospitals and higher education were felt to provide stability during economic downturns. Interestingly, three of these four industries are tax-exempt, indicating their importance to Boston. The City's efforts to control expenditures through reduction of its employment base was recognized. Ample reserves were highlighted with the recognition that most of these funds are not accessible for operations under Massachusetts law. Concern was raised about the unresolved labor negotiations but the expectation was that they will be resolved successfully. The leveling of state aid, of which the City relies on for about 27% of its operating revenue, and the City's outstanding pension liability are other concerns raised.

The sale of \$143.2M in GO bonds consisted of two parts: (1) \$65M for FY04 capital projects and (2) the refunding of \$78.2M of existing city debt. The refunding of \$78.2M at lower interest rates will generate a net present value savings of \$3.9M that will be used to reduce the City's debt service costs primarily over the next three years. The bonds were sold in two separate issues at a combined True Interest Cost (TIC) of 3.2%.

## STATE AID STABLE..SO FAR

On January 28<sup>th</sup>, Governor Romney proposed a \$22.9B state budget for FY05. The budget is an increase of \$1.1B or 5% over FY04, due mainly to higher costs for pensions, Medicaid and debt service. The Governor's budget was designed to pay for this increase without reducing overall local aid, thus breaking a trend of two successive years of local aid cuts. The Governor's plan balances the budget through the use of nearly \$500M in one-time savings, with another \$500M generated from higher revenue collections and other cost saving measures.

The Governor's budget contains \$520.7M in local aid for Boston, an increase of \$7.8M or 1.5% over FY04, most of which comes from a \$7.7M increase in the Retired Teachers Pension reimbursement account. Elsewhere, the City's three major local aid accounts, Chapter 70 school aid (\$200.5M), Additional Assistance (\$164.2M) and Lottery distributions (\$54M), remain level-funded from FY04.

\$ in Millions				
BOSTON	Actual FY02	Actual FY03	Budget FY04	Gov. FY05
Local Aid	\$580.5	\$542.4	\$512.9	\$520.7
Change	\$21.3	(\$38.1)	(\$29.5)	\$7.8
%	3.8%	-6.6%	-5.4%	1.5%
FY02-FY04 Cut			(\$67.6)	

Now the Legislature begins its turn with the state budget. Will it buy the Governor's plan to use nearly \$500M in one-time savings to fund operating costs? If not, will its proposed budget reduce local aid in this election year, and by how much? Time will tell, with the House Ways and Means Committee's budget proposal expected in March.

## STATE HOUSING \$\$\$

Governor Romney teamed with the state's affordable housing bank, MassHousing, to create the Priority Development Fund (PDF), a \$1.1B housing finance initiative. It is expected to finance 5,000 new units of mixed-income housing over the next three years. If this program is successful MassHousing will be doubling the number of new units its finances yearly. Despite the increase, one of the tenets of this program will continue to be fast turn around of proposal evaluations, averaging 45 days. The program is expected to jump start many housing proposals that have not been fully financed.

MassHousing funds of \$100M will be provided to developers, which is expected to then leverage MassHousing mortgage loans, low-income housing tax credits, and state and federal grants totaling an additional \$1B. The fund has been divided between 3 project types: \$75M for mixed income developments, \$22M for housing near transit, and \$3M for community planning. Funds will be awarded to proposals that take into account "smart growth" criteria, as well as those with the potential to leverage other funds, have a strong affordability component and include family units within project plans (units with 3 or more bedrooms).

At least 20% of all units proposed must be reserved in advance for occupants with less than 80% of the median income, or \$62,650 for a family of four in Boston. How much of these funds will go to Boston is unclear, but what funds reach the City will help build on the momentum of the Leading the Way program. In 2001-2003, Boston spent \$33M and leveraged another \$1.7B to permit 7,913 new units of housing in the Leading the Way program. Additional information about the PDF and application procedures are available at [www.masshousing.org](http://www.masshousing.org).

## CHARTER SCHOOLS

Governor Romney has proposed removing the caps governing charter schools. He also should support revising the tuition distribution formula that shifts funding for the students from the district to the charter school. Commonwealth charters operate independently of local school districts and union contract rules. They differ from Horace Mann charters, which operate under contract with the local school board, but with the benefits of charter schools. Three caps limit the development of Commonwealth charters:

- Max. Commonwealth charters statewide 72
- Max. % state public school enrollment 4%
- Max. % district pays in charter tuition 9%

Since the highest concentration of Commonwealth charters is in Boston (34.9%), removing the caps will have financial implications for the BPS. Boston's assessment for charter school tuition has already reached 7% of its net spending in FY04. Since not all Boston Commonwealth charters have yet reached their grade maxima, the enrollment of Boston students in Commonwealth charters is likely to reach the 9% cap in the coming years even without new charters being awarded.

### Boston Commonwealth Charter School Facts

Boston's FY04 charter school tuition	\$39.9M
% of net school spending	7%
Commonwealth charter schools in Boston	15
Commonwealth charter schools statewide	43
Boston Commonwealth charter students in FY04	4,026
Boston Commonwealth charters not yet at grade maxima	6
Boston Commonwealth charters approved but not yet opened	1

Charter schools offer an important alternative to parents, promote flexibility in educational structure, and create incentive for public school improvement. However, the tuition distribution formula is not equitable, and should be revised. Boston is required to pay charter tuitions based on its average cost per pupil, inclusive of all regular, SPED, and English Language Learners. This per pupil cost, that is higher in urban districts, is paid even though the student's actual costs to a Commonwealth charter may be less because of each educational program or grade level. A bill (H1852) is pending before the Legislature that would restore equity to the formula by funding Commonwealth charters based on the grade levels and educational programs of its students.



**72<sup>nd</sup>**  
**ANNUAL**  
**MEETING**  
OF DIRECTORS & MEMBERS

The Research Bureau acknowledges with grateful appreciation the sponsors of our Annual Meeting on February 24, 2004.

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# Bureau Update

BOSTON MUNICIPAL RESEARCH BUREAU

March 2004

NOTES  
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NEW  
NOTE

## BUREAU SPEAKER SERIES

On March 23, Mellon Financial Center was the site of the first formal meeting between the City's new Police Commissioner Kathleen M. O'Toole and Bureau Directors and members, organized as part of the Bureau Speaker Series. Mayor Tom Menino was on hand to introduce Commissioner O'Toole, who discussed the three major areas she plans to focus on in her new role: community policing, department moral and homeland security. Visit [www.bmrb.org](http://www.bmrb.org) for more details on the event.

## TRAINING EMERGING LEADERS

On March 11th, BMRB President Sam Tyler moderated a panel discussion involving Hubie Jones on challenges facing Boston before UMASS Boston's 2004 class of Emerging Leaders. The College of Management conducts the eight month program to develop future leaders for Greater Boston. Fellows study specific public policy issues with a sponsoring organization and present recommendations as a final product. This year, the Bureau is sponsoring a study group to analyze the City's revenue mix.

## PROPERTY TAX HEARINGS

The Massachusetts Department of Revenue will hold hearings throughout the state on the current property tax classification system. The Boston hearing date is scheduled for May 18th at the State House. Visit [www.bmrb.org](http://www.bmrb.org) for more details.

## BPS FY05 BUDGET

The Boston School Committee has approved a budget for FY05 totaling \$653.2M, an increase of \$7.1M or 1.1% from the current budget. School officials designed distribution formulas geared to allot funds to individual schools in a more equitable fashion for FY05. Small schools and schools with large percentages of special education enrollment, both of which were hamstrung by cuts during FY04, were given more flexibility for FY05. The result was an aggregate increase of \$20.5M to individual schools that was dispersed according to a range of factors that included enrollment and programmatic changes, anticipated fixed cost increases, and the new distribution formulas.

Salaries represent 94.5% of the budget's increase, due mainly to increased funding for the long term leave and substitute teacher accounts, step and lane changes and the funding of the summer transition program. Health insurance costs continue to increase, having risen 12.5% from FY04 and 34.2% since FY02. The budget balances the increase in school allocations with reductions in central office spending and in benefits, namely the elimination of one time bonuses for teachers who voluntarily retired and expected reductions in unemployment claims. Because of anticipated reductions in revenue from grant funds in FY05, the BPS all-funds budget will increase by only 0.1% to \$777.4M. The costs of new collective bargaining agreements are not included and will be funded through supplemental appropriations.

## '04 TAXES SET, BUDGET REVISED

On March 19<sup>th</sup>, the City certified the FY04 residential tax rate at \$10.15 and the business rate at \$33.08 per thousand dollars of value. Even though the residential rate is down from last year, the average single family tax bill is up \$285 or 14.5% from FY03 because of the large increase in residential value from the prior year.

On the business side, commercial office property owners will see a decrease in their tax bills even

though the tax rate is up because commercial office values fell by almost \$1B or 8.3% from FY03. All other business property owners whose values are level or higher in FY04 will pay more in property taxes.

The City revised its budget to \$1.85B to reflect revenue adjustments and supplemental appropriations. The \$1.09B tax levy includes \$32.9M of new growth. No longer bound by a 5% state minimum, the overlay reserve was reduced by \$9.6M to \$42.1M.

### Property Values, Tax Levy and Rates

Value/Levy in \$B	FY03	FY04	Change	%
Residential	\$35.15	\$44.31	\$9.17	26.1%
Single Family	7.83	9.94	2.11	27.0%
Condo	10.98	13.84	2.86	26.1%
Commercial	18.64	17.76	(0.88)	-4.7%
Office	11.67	10.70	(0.97)	-8.3%
Other Comm.	6.97	7.06	0.10	1.4%
Industrial	0.60	0.64	0.04	6.5%
Personal	3.14	3.42	0.28	9.0%
<b>Total Value</b>	<b>\$57.53</b>	<b>\$66.14</b>	<b>\$8.61</b>	<b>15.0%</b>
<b>Tax Levy</b>	<b>\$1.04</b>	<b>\$1.09</b>	<b>\$0.06</b>	<b>5.7%</b>
<b>Tax Rates</b>				
Residential	\$11.29	\$10.15	(\$1.14)	-10.1%
CIP	\$31.49	\$33.08	\$1.59	5.0%
Ave. 1 Fam. Tax	\$1,972	\$2,257	\$285	14.5%

Numbers may not add due to rounding.

## SUPPLEMENTAL TAX DECISION

The Mayor and City Council should reject for FY04 the ability to tax new value captured after January 1, 2003, the assessment date for setting the FY04 tax rate. The City Council's Ways & Means Committee held a public hearing on this on Wednesday, April 7th, and the full Council may vote on it on April 14th. As part of the Municipal Relief Act enacted this past summer, cities and towns were authorized to tax the value of certain improvements to real estate made after the January 1 assessment date for the purpose of providing additional tax revenue for the year. The additional tax would be made on those parcels for which an occupancy permit is issued during the fiscal year and the new construction increases the value by over 50%.

This tax would be in addition to the regular property tax assessed on the parcel's January 1 value and would be prorated from the time the permit was issued to the end of the fiscal year using the current year's tax rate. The supplementary tax is not considered part of the tax levy limited by Proposition 2 ½. In past years, this increased value would not have been taxed until the next fiscal year.

In addition, the City must abate property taxes on any parcel if it loses more than 50% of its value after July 31, 2003 by fire or other natural disaster. The City is required to implement this new provision unless the City Council, with the Mayor's approval, notifies the Massachusetts

Department of Revenue in writing of its rejection.

The City should reject the supplemental assessment for FY04 because it raises issues of equity and departs from the principle that property tax value and ownership be treated consistently using a single lien date. The additional property tax burden created by the supplemental assessment could negatively impact development in Boston. In addition, time would be needed to change administrative procedures and software programs and educate impacted taxpayers. Finally, rejection this year is advisable in light of the added tax burden already placed on business property as a result of the change in the City's classification law.

## STEP INCREASES



With or without collective bargaining contracts, the City of Boston is paying at least \$9.7M in salary increases to those employees who are not at the maximum salary step. Little understood is the fact that employees below the maximum salary level receive step increases every year, resulting in annual salary increases ranging from 4% to over 5%. A step increase is received each year even if a contract has expired and a new contract has not yet been negotiated. Typically, a contract has nine steps to reach the maximum salary for a position. The employee moves to the next step generally at his/her job anniversary date each year and receives an increase in salary. In practice, a step increase is automatic and not contingent on a satisfactory evaluation. A little over 4,300 employees are eligible for step increases. In the BPS, the average step increase for an eligible teacher is \$3,009 or 5.6% for a total district cost of \$5.6M. The combination of salary steps and contract salary raises can generate sizeable salary increases. For example, with the new teachers' contract, a teacher with a Master's degree at step 5 will receive the contract salary raises and move up three steps to receive a total salary increase of \$15,392 or 29.0% during the life of the contract. That teacher's salary will be \$68,443 in 2006.

## REGIONAL SAVINGS

Urban regionalism in the Boston area is proving that selective collaboration can provide real benefits to its municipal members. Initially brought together in 2001 by the prospect of local aid cuts, the Metropolitan Mayors Coalition (MMC) has undertaken initiatives involving cost control of group health insurance, joint emergency management planning and development of intermunicipal economic development strategies. The MMC consists of the mayors and managers of 10 Boston area cities (Boston, Cambridge, Chelsea, Everett, Malden, Medford, Melrose, Quincy, Revere and Somerville).

A collective procurement program is the most recent initiative of the MMC. Member cities are allowed to be included in select Boston bids, adding to Boston's purchasing power that achieves better pricing and administrative savings for all participants. A recent copy paper bid yielded prices that were 18% lower than the state contract price and over 50% lower than retail prices. Similarly, office supplies came in at about 30% cheaper than state contract prices. A toner cartridge bid produced savings estimated at over 19%. Collective procurement also has included janitorial supplies, automobile and truck tires, automotive batteries and lighting supplies. Boston's Purchasing Department has managed this successful program. The MMC is facilitated by the Metropolitan Area Planning Council (MAPC).



★ HENRY L. SHATTUCK PUBLIC SERVICE AWARD ★  
★ 2004 NOMINATION FORM ★

*For the Exceptionally Deserving City of Boston Employee*

**Nomination Due by May 7, 2004**

Mail to: Shattuck Awards Committee, 333 Washington Street - Suite 854 Boston, MA 02108  
Or Email: [dsmith@bmrb.org](mailto:dsmith@bmrb.org)

Individual Making Nomination: \_\_\_\_\_ Title: \_\_\_\_\_

City Dept/Company: \_\_\_\_\_ Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Check:  City Dept. Head  City Employee  Bureau Director  Bureau Member  Citizen  Shattuck Award Recipient

**Employee Nominated**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Department: \_\_\_\_\_

Bus. Address: \_\_\_\_\_

Telephone: (W) \_\_\_\_\_ (H) \_\_\_\_\_

Business Email: \_\_\_\_\_

Home Address: \_\_\_\_\_

No. of years as a City Employee: \_\_\_\_\_ In Current Position: \_\_\_\_\_

Former City positions held: \_\_\_\_\_

★ Full description of duties — use a separate sheet. ★

★ On a separate sheet explain in detail why your nominee is deserving of a Shattuck Award. ★

Additional supporting statements can be included with this nomination.

**THE COMMITTEE RELIES HEAVILY ON THESE STATEMENTS WHEN MAKING ITS SELECTION.**

★ NOTE: Your Nominee Must Meet the Shattuck Award Criteria ★

- ◆ Unusual competence and professional spirit in handling assignments.
- ◆ Exceptional initiative and professional attitude.
- ◆ Proven ability to efficiently and productively deliver services to the public
- ◆ Helpful and cooperative attitude toward fellow employees and the public at all times.
- ◆ Prudent management and administration of all assigned responsibilities.

BOSTON MUNICIPAL RESEARCH BUREAU - 333 Washington Street - Suite 854, Boston, MA 02108

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Email: [dsmith@bmrb.org](mailto:dsmith@bmrb.org)

[www.bmrb.org](http://www.bmrb.org)



# Bureau Update

## News & Notes

### Contract Tracker

- While only 35% of Boston's 37 bargaining units have new, tentative or current contracts, they represent 67.6% of the unionized workforce.
- Of the 5,576 union members without contracts, about 3,600 or 64% belong to the Police and Fire unions.

Status	No.	%
New/Tentative	11,308	65.7
Arreant	327	1.9
Expired	5,576	32.4
Total	17,211	100.0

Tentative = negotiated but not yet ratified by members.

### Council's FY05 Budget Hearings

- The Ways and Means Cte. completed its budget hearings on June 10<sup>th</sup>. Check our web site, [www.bmrb.org](http://www.bmrb.org), for the complete Cte. report.
- The \$1.92B operating and \$1.10 capital budgets are expected to be approved on June 23<sup>rd</sup>.



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April-June 2004

## OUTSOURCE FOOD

The BPS should be supported in its short-term plan to improve efficiency in its food services operation as it develops a longer-term solution. On a budget of \$21.0M in FY03, food services incurred an operating loss of \$700,000 and projects another loss of \$1.3M in FY04. Because of the inefficiency of the Central Kitchen Facility (CKF) and its deteriorating condition, the BPS is considering expanding its outsourcing of food services. The Department has committed to retaining the 47 CKF employees. The BPS already out sources 20% of its food preparation that the CKF cannot support. Cost estimates for renovating or replacing the facility range from \$14.3M to \$16.4M. With \$135M in BPS capital projects currently un-funded, other

projects represent a higher capital priority than the CKF.

The short-term plan is to expand the outsourcing of prepared meals and use the CKF as more of a distribution center. Also, the BPS will work to improve business practices to generate more sales and increase revenue this year. If no change is made, the food services' deficit could be as high as \$2.0M in FY05. The School Department's FY05 budget does not provide any contingency for deficit spending in food services. BPS has been consulting with food service vendors as it develops a long-term plan to keep its breakfast and lunch operations financially self-sufficient, while improving efficiency and enhancing quality.

## HOUSING PHASE II

*Leading the Way II*, announced May 13, 2004, is a 4-year, \$2.6B commitment to four continuing housing goals. Of the \$2.6B target, \$2.2B will be used to build new units of privately financed market rate and affordable housing. Also, \$400M in combined public and private resources will be used to build new affordable housing units. To date, \$375M has already been pledged, \$56M from government funds and \$319M from other partners.

The City will commit \$81M towards affordable housing, \$56M from its existing federal and state housing resources such as CDBG and the HOME program. Another \$25M of

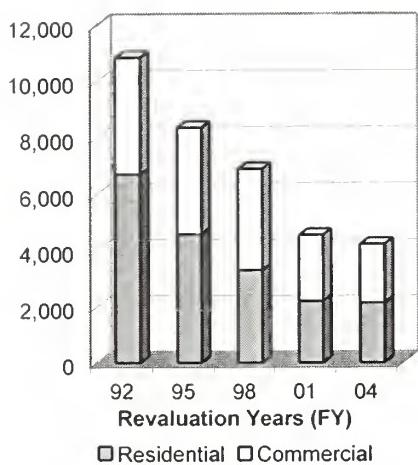
the City's own funds will be raised over 4 years from the sale of properties, including One Lincoln Street. Both Bank of America (\$200M in new financing) and Citizens Bank (\$84M in loans) have also made commitments to Phase II. Other partners will contribute the remaining \$2.2B in the form of new financing, loans, and other types of support.

Goal	Comments
Housing Homeless	\$10M Total (\$5M City)
Preserve Rental Units	3,000 units
Renovate Properties	2,130 units (130 vacant)
New Housing	10,000 units (2,100 affordable)

## ABATEMENT DECLINE

Abatement applications in Boston for FY04 were lower than in any of the five previous revaluation years going back to 1989. Improvements in the public disclosure process and assessing practices contributed to the abatement decreases in city-wide revaluations.

Count of Applications



A total of 4,213 abatement applications were filed in FY04, despite a sharp increase in residential values, a decrease in commercial office values and a moderate increase in other business values. This is a 7.1% decrease from the previous revaluation year and a drop of 38.9% from the FY98 revaluation year. Even with an average residential single-family tax bill increase of 14% this year, residential abatements were 2.4% lower than the previous revaluation year. Contributing to the reduction was the expectation that the average bill would have increased by 41% had legislation not passed that temporarily shifted more tax burden onto business property.

The reduction of commercial value by 4.5% was a factor in the 11.4% reduction of business abatements this year from the FY01 revaluation year. These factors also explain why residential applications outnumbered business applications for the first time since FY96. Overall, abatement applications have declined steadily from the high of 10,847 in fiscal 1992 to 4,213 this year. This trend is followed by the reduction of the caseload of open appeals at the Appellate Tax Board.

## TAX SHIFT IS LIMITED

Only 13 cities and towns took advantage of the ability to temporarily increase their business tax ceiling in FY04. Legislation was passed in January 2004 (Ch. 3, Acts of 2004) that authorized the business tax ceiling of 175% of full value share to increase to a maximum of 200%. No community could increase its business threshold by more than 25% in FY04. Proponents argued that a divergence of values would cause sharp increases in residential tax bills if the tax shift were not allowed. For those 13 communities that adopted the new formula, the business tax ceiling will decrease each year to reach the original limit of 175% in FY08 and permanently drop to 170% in FY09. The residential limit would return to 50% of full value share.

Last year, 50 communities were expected to reach the 175% business tax limit in FY04 and be affected by the value swings. However, in the end, 13 municipalities including Boston adopted the new formula and all but 3 increased the limit by the

25% maximum. With residential values expected to increase and commercial values to decrease again in FY05, more communities may adopt the business tax shift up to 197% next year after having more time to evaluate the impact.

## BID IS DEAD

The Washington Street retail/office area Business Improvement District (BID) is dead and now the onus is on Boston to do more to enhance the area that is touted as the 3<sup>rd</sup> most important retail area in the Commonwealth as measured by gross sales. Despite the millions in property taxes generated by this area, the City does not invest an appropriate amount of resources in cleaning, maintenance and social services. That is why local business executives were willing to establish a BID that would require payment of an additional assessment fee to insure delivery of enhanced services.

For the 2<sup>nd</sup> consecutive time, the Legislature failed to approve a home rule petition to establish this BID. In neither case did the arguments raised justify holding up the approval. Having raised almost \$200,000 over 8 years to support the development, publication and promotion of a BID plan, the business backers of the BID will now look at other ways to enhance the area through the Downtown Crossing Association. The two-time refusal of the Legislature to approve the BID occurred even though Mayor Menino had initiated the idea with the business leaders and encouraged them to present a BID plan.



# Bureau Update

GOVDOC

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BMR  
59

## News & Notes



### Save the date

**WHAT:** 2004 Shattuck Awards  
**WHEN:** October 28, 2004, 6:30 p.m.  
**WHERE:** The World Trade Center



### Police and Fire Contracts Settled

- The City will pay a price in FY06 for the arbitrator's award for the police and firefighters contracts.
- Beyond salaries, the City did not gain or lose ground with respect to contract language changes affecting costs.
- Important issues were not addressed because of the limits of expedited arbitration.

Go to [www.bmrb.org](http://www.bmrb.org) for more information.



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 Boston, Massachusetts 02108  
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## 2004 SHATTUCK PUBLIC SERVICE AWARDS

The Research Bureau is pleased to announce this year's recipients of the Henry L. Shattuck Awards. The Awards are presented each year to dedicated city employees who have committed themselves to excellence in public service.

The **Shattuck City Champion Award** will be presented to two individuals honored for their significant contribu-

tions to the Boston civic community. They are:

#### **Lawrence K. Fish**

Chairman, President & CEO  
 Citizens Financial Group, Inc.,

#### **Anna Bissonnette**

Founder  
 The Committee To End Elder Homelessness.

#### 2004 Shattuck Recipients

- ★ Joseph P. Canavan, Pub. Wks.
- ★ Daniel P. Fagan, Police
- ★ Gina Fiandaca, Transportation
- ★ Francis G. Gavin, Assessing
- ★ Mary Hines, Parks
- ★ Curits D. Holzendorf, Fire
- ★ Jennifer W. Maconochie, Police
- ★ Kevin J. Morrison, BRA
- ★ Joella Thomas, Elderly
- ★ Gloria J. Woods, BPS

## PENSION COST SPIKE

Boston's pension expenditures will increase in FY06 by as much as \$36M or 25%, due to a combination of asset losses and increases in the number of retired employees. This estimate is based on a new actuarial assessment for the next three years (FY06-08).

#### The Findings:

- The Retirement Board realized an investment loss of \$511.4M over the last two years.
- The pension schedule assumes an annual investment yield of 8.0% but the average return over the past 5 years was 4.7%, a -5% in 2002.
- Two retirement incentive programs led to the retirement of 966.
- Police and firefighter retirements added more stress to the liability due to higher salaries and earlier retire-

ment provisions. Overall, the City's pension liability exceeds \$5.1B, an increase of 25% over three years.

#### Options to mitigate the increase:

- 1) Delay the date for full funding of the un-funded liability.
- 2) Apply free cash to support a portion of the increase.

Both options have drawbacks that should be considered carefully. Boston is scheduled to reach full funding of its pension liability in FY23. In any case, increased spending for health insurance, debt service and now especially pensions will absorb a significant share of any new operating revenues available in FY06. The just settled police and fire contracts end in FY06 with salary increases of 5.5%.

## BUDGET HITCH

Despite the City Council's unanimous approval of the Mayor's FY05 \$1.92B operating budget, two management initiatives opposed by labor almost held up approval of the budget.

1) The firefighters union demanded that a **District Fire Chief** position be funded. This demand came despite the fact that the vacant position was not in the budget based on a compromise last year to consolidate 11 fire districts into 10. Consolidation will occur when sufficient District Chief positions are vacant through attrition. In the end, the Fire Commissioner agreed to meet with union leaders to discuss various options relevant to restructuring the command staff.

2) AFSCME leaders representing school cafeteria workers demanded that the BPS not move forward with plans to restructure operations at the **Central Kitchen Facility** (CKF) and increase the outsourcing of meals. This opposition came despite the commitment that there would be no loss of jobs for kitchen workers. Currently, 20% of the CKF meals are provided by private vendors.

The Council delayed action by forcing the establishment of a 7-member committee to review operations and report its findings to the Superintendent by January 15, 2005. What this agreement didn't deal with is:

1. A potential \$2.0M food service deficit in FY05 if no change occurs.
2. A deteriorating facility that is inefficient and requires extensive capital work.

The Council should give priority to the overall needs of the City when asked to make difficult decisions to maximize resources for basic services.

## SUPERMARKETS HAVE DOUBLED

Did you know that over the past 12 years, there has been an influx of supermarkets in the City? Since 1992, 20 new supermarkets have been built totaling 608,883 sq. ft. according to a recent report by the Boston Redevelopment Authority. Prior to 1992, 15 supermarkets were located in Boston neighborhoods and now the number has more than doubled to 35.

The major chains have discovered the buying power in Boston's neighborhoods with Stop&Shop and Shaw's both opening 6 supermarkets each. With the housing being built and planned downtown, the demand for a supermarket in this area is growing.

### supermarket facts

- Supermarkets in a city are viewed as an indicator of the stability of the neighborhoods and the strength of a city's economy.
- The largest new supermarket is the Super Stop&Shop (68,150 sq. ft.) in the South Bay Mall and the smallest is a Bread&Circus/Whole Foods (11,000 sq ft.) in the Fenway.
- Since 1992, two supermarkets were replaced with larger facilities and one was expanded.

## QUINN STANDARDS BECOME LAW

Without the spotlight of a year ago, the improved Quinn Bill standards adopted by the Board of Higher Education (BHE) in February 2003 have been codified in the FY05 state budget. Statutorily adopting these standards gives legal weight and more permanence to these guidelines that were officially implemented on January 1, 2004. The standards, the first established since the Quinn Bill was enacted in 1970, improve the quality and integrity of the program by establishing clear guidelines for undergraduate and graduate programs for curriculum, faculty, admissions and articulation agreements with other institutions. Awarding credits for life experiences or for military, police academy or other training is prohibited. Academic institutions granting Quinn Bill eligible degrees must be certified by the BHE, which to date has resulted in the reduction in the number of institutions granting such degrees from 60 to 28.

Next year the State should revisit the issue of changing the bonus payment from a percent of salary to a fixed dollar amount by degree. Using percent of salary over an entire career is exceptionally generous.

### What is the Quinn Bill?

The Quinn Bill is a local option education incentive plan for police officers that increases their salaries by 10%, 20% or 25% depending on the level of law enforcement or criminal justice degree received. Boston made Quinn Bill payments of \$15.7M in FY03.

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# Year Update

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BOSTON MUNICIPAL  
RESEARCH BUREAU

August-September 2004

## Welcome New Research Bureau Members

Beacon Capital Partners, LLC

Goulston & Storrs

Keegan, Werlin and Pabian, LLP

MassDevelopment

S. R. Weiner & Associates

Suffolk Construction

Finding an apartment or developing affordable rental housing will be more difficult in Boston for those relying on Section 8 housing funds. On September 28, 2004 HUD announced cuts in the FY2005 Fair Market Rents (FMRs) effective October 1, 2004. These cuts of up to 19.6% will hurt pipeline development projects using HOME or project-based vouchers because they are below the rents developers had expected to be able to charge. The new FMRs will create a serious administrative burden for the Boston Housing Authority as it will have to re-determine rent reasonableness for every unit size where FMRs dropped by more than 5%. Other housing programs, including homeless tenant-based rental assistance, use the FMRs as benchmarks and also will be affected by the cuts.

FMRs for one, two, three and four-bedroom units dropped from 5.1% for a one bedroom unit to 19.6% for a four-bedroom unit as shown below. HUD used data from August 2004 random digit dialing rent surveys to calculate the FY2005 FMRs, a methodology that seems to produce rents lower than the median gross advertised rents in Boston. The rent surveys substituted for initial plans to change housing market areas in setting the FMRs.

HUD Monthly FMR Reduction				
Bed-room	FY04	FY05	Change	%
One	\$1,135	\$1,077	(\$58)	-5.1%
Two	1,419	1,266	(153)	-10.8%
Three	1,775	1,513	(262)	-14.8%
Four	2,084	1,676	(408)	-19.6%

## Residential Tax Bill Increase

Boston's average single-family tax bill in FY04 was \$2,257, an increase of 14.5% over the prior year after adopting the classification shift. The statewide average single family tax bill was \$3,413, an increase of 6.5% based on DOR data.

The City's maximum shift to the business levy and application of the 30% residential exemption account for Boston's relatively low residential tax bill last year in the table below.

FY04 Single-Family Average Tax Bill		
City/Town	FY04 Tax Bill	% Change
Milton	\$4,886	3.7%
Framingham	3,978	5.0%
Somerville	3,674	-4.3%
Quincy *	3,639	17.8%
State Average	3,413	6.5%
Medford	3,171	6.4%
Waltham	3,121	4.5%
Worcester	2,658	5.1%
Malden	2,624	4.0%
Boston	2,257	14.5%

\* Did not adopt classification provision

## In this issue ...

- Housing Cuts
- Tax Bills
- Heritage Center
- FY04 Surplus
- Supplemental \$
- Lottery

The prospect of much higher residential tax bill increases in several communities due to a divergence of values led to a temporary legislative adjustment to the property classification formula. Impacted communities adopting the provision were allowed to shift the business burden up to 200% of the taxes they would have to pay under a single tax rate in FY04. Thirteen communities, including Boston (200%), increased their business levy share to between 180% and 200%. Of this group, Boston's average single-family tax bill increase of 14.5% was the highest.

## Land Deal Creates Heritage Center

After years of searching, the City has found a new site for its official archives, and in the process will consolidate Public Library and other storage space, and possibly develop housing through the sale of city-owned property. The City Council recently approved the Administration's proposal to purchase the property at 201 Rivermoor Street in West Roxbury for \$8.5M and convert it into the City of Boston Heritage Center. The property, currently owned by Keyspan, contains about 145,000 sq. ft. of space on 10 acres. It is not yet clear how much it will cost to renovate the space. The project will allow the City to return the current site of the City's archives – the Hemenway School in Hyde Park – to the School Department for school purposes.

A \$2.0M grant from the Trustees of the Boston Public

Library (BPL) will contribute to the purchase of the property, as will an initial withdrawal of \$6.5M from the City's surplus property disposition (SPD) fund. However, all SPD funds will later be replenished with proceeds from the sale of two storage facilities owned by the BPL. Keyspan will continue to rent about 30,000 sq. ft. of space at the facility, generating over \$1.0M in rental income for the City over 5 years.

In addition to housing the City's archives, the Heritage Center will be the new home of the New England Deposit Library and store BPL materials. While the City will be responsible for the overall management of the property, staff from the BPL and City Clerk's office will support their respective functions in the facility.

## FY04 Surplus

The City closed its books on FY04 with a \$4.4M surplus, on revenues that exceeded budget by \$40.7M and spending that exceeded budget by \$36.3M. The surplus represents 0.2% of the final FY04 budget of \$1.89B. The City was able to address the financial challenges presented in FY04, such as collective bargaining agreements for all of the City's unions, and also maintain the basic service delivery levels it anticipated at the beginning of the fiscal year. A small number of accounts (listed below) contributed to most of the revenue and spending overages.

	Account	Exceeded Budget By
<b>Revenues</b>		
	Building Permits	\$11.2M
	BPS Trans. (State Aid)	9.2M
	Chapter 121A	8.5M
	Parking fines	6.6M
<b>Expenditures</b>		
	Collective Bargaining	15.5M
	Fire	5.9M

## \$4.6M More For '05

The Governor and Legislature recently agreed on a supplemental appropriation to the FY04 budget that includes a provision to distribute an additional \$75.0M in local aid to cities and towns for use in FY05. Distribution amounts were determined using the lottery formula, resulting in an additional \$4.6M for Boston.

To emphasize the one-time nature of the supplemental, the Department of Revenue is requiring mayors and selectmen to sign a document acknowledging the one-time nature. In addition, the state is not reflecting the supplemental in FY04 or FY05 local aid Cherry Sheets, thereby allowing it to consider FY06 local aid amounts without including the \$75.0M as part of the FY05 base.

As such, the City should maintain its policy of using non-recurring revenues only on non-recurring costs, or replenish reserves by allowing the revenue to fall to the year-end fund balance. In either case, the City is not expected to count this revenue as part of the FY05 base in its revenue planning for FY06.

## Lottery Diversion To End

The Governor and Legislature have agreed on a 5-year plan to phase-out the state's practice of withholding lottery funds a.k.a. *lottery diversion*. Funds were diverted in order to balance the state budget, otherwise they would have been distributed as local aid to municipalities. The phase-out plan, included as part of the state's FY05 budget, will begin in FY07 and be complete in FY11. The plan uses a formula to reduce by an additional 20% every year the amount that is

diverted between FY07 and FY11. As a result, 100% of the amount available to be distributed to localities in FY11 will be sent to them, setting the lottery back on track for full distribution to cities and towns. Boston's estimated FY05 lottery aid is about \$54.0M, which represents approximately 3.0% of the City's total revenue.

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October-November 2004

## In this issue . . .

- New rent stabilization proposal is subject of City Council hearing on November 23 at 4:30 P.M.
- Financial service mergers result in almost 2 million sq. ft. in sublease office space returned to market in 3Q 2004.
- PIC plays an integral role in City's development and permitting process.
- Boston's CDBG program reaches 30 year milestone.
- Applications for open School Board seat sought.

A new rent control act has been presented to the Boston City Council for consideration this calendar year. The *Community Stabilization: Tenants and Small Property Owners Protection Act* as proposed by the Boston Tenant Coalition is revised slightly from the plan that was defeated by the City Council in November 2002 by a vote of 6-4. The Research Bureau recognizes the high cost of rental housing in Boston but believes housing production, not rent control is the best long-term solution. Interestingly, this proposal comes after the 2002-2003 period when the median advertised asking rent for a two-bedroom apartment in Boston dropped by 9.7% while the volume of advertised two-bedroom apartments increased by 17.6% according to the City's DND.

The City Council will hold a hearing on this home rule petition on Tuesday, November 23 at 4:30 P.M. in the Iannella Chamber. Mayor Menino has not taken

a position on this new plan and will wait to see what action the Council takes. This proposal must also be approved by both the House and Senate and signed by the Governor before it is enacted.

A few key provisions of the new proposal are:

- Annual rent increase may not exceed 5% for elderly, disabled or low-income or 10% for others.
- Applies to buildings with 3 or more units.
- Exempt would be structures up to 6 units if one is used as the owner's residence, BHLA units and housing built after September 1, 2002.
- Tenants may petition for reduction in rent for substandard conditions until situation fixed.
- A city agency would administer the act and appeals would go to the Boston Housing Court.
- A 10-year sunset clause is attached.

## Spike In Available Office Space

The projected personnel downsizing and real estate consolidations resulting from financial service mergers and acquisitions were realized in the third quarter in Boston. Almost 2 million sq. ft. of office space was returned to the market, increasing Boston's availability rate for class A properties in the central business district to a record high of 20.2%. The availability rate for Boston office space overall was 16.8%, the highest level since first quarter 2003 according to data reported by the real estate firm of CB Richard Ellis/Whittier Partners.

In 3Q 2004, about 70 leases were signed that removed approximately 600,000 sq.

ft. from inventory creating a negative absorption of 1.3M sq. ft. Up until this third quarter, Boston's office market showed signs of recovery in four of the last five quarters. Even so, low interest rates contributed to favorable sales for well-leased office properties sold in the third quarter.

Real Estate Consolidation	Sq. Ft.
Manulife/John Hancock	720,000
Bank of America/Fleet Bank	460,000
Deutsche Bank	346,000
State Street Bank	325,000
Mass. Financial Services	135,000
Total	1,986,000

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## Public Improvement Commission

The "owner and regulator of the City's rights of way", the Boston Public Improvement Commission (PIC), plays an integral role in the City's development and permitting process. Business owners, developers and homeowners alike conduct business in the air, on the surface and below ground that requires the approval of the PIC. From the restaurant that wants to add a seasonal café on the public sidewalk, to the developer who wants to construct an underground parking garage for a new housing development, or the homeowner who wants to add an architectural feature to a house that juts into the public space, each must seek approval from the PIC to have its private venture occupy public space, either permanently or on a licensed basis.

Originally established in 1870 as the Board of Street Commissioners and comprised of officials elected by the public, the current mayoral appointment structure for the Public Improvement Commission was established by City ordinance in 1954. The Commission is chaired by the Public Works Commissioner, and includes the Commissioners of Inspectional Services, Transportation and Property Management and Construction, respectively, as well as the Executive Director of the Boston Water and Sewer Commission. The Commission meets every Thursday at 10:00 A.M. in City Hall Room 801 to consider petitions.

In general, the PIC authorizes development in the following:

Category	Description/Example
1. Discontinuance of public way or Abandonment of private way	1. Request that the City discontinue its claim to certain public space, or its potential claim to private space - roofs, cornices, underground garages.
2. License	2. Request license to use a public right of way or space - sidewalk café, marquee, canopy, areaway, earth retention system, monitoring well.
3. Specific Repair	3. Request specific changes to a public right of way - use of brick instead of concrete or paver for sidewalk.
4. Street Layout or Approval of Line and Grade	4. PIC ensures the line and grade of a private development compliments that of the public way it borders.
5. Telecommunication and Utility Grant of Location	5. PIC regulates how telecom companies access and occupy underground and above ground cable networks.
6. Easement, Widening and Relocation	6. Shift the public way onto private property in exchange for the right to occupy sidewalk space.

## CDBG Turns 30

The City-administered program that funds important housing and economic development efforts like first-time homebuyer assistance and the Boston Main Streets program turns 30 years old this year. The Community Development Block Grant (CDBG) is a formula-based federal grant program that is funded by the U.S. Department of Housing and Urban Development and administered locally by the City's Department of Neighborhood Development (DND).

Hallmarks of the CDBG include the flexibility cities and towns have to apply the funds, along with the federally-established goals of helping low and moderate income residents and stimulating business development and economic growth.

Since its inception, the City has received \$715.2M in CDBG dollars. The program was funded at \$32.1M in its first year and received a low of \$17.2M in FY'91. The current FY'04 amount of \$24.5M is slightly higher than the historical average of \$23.8M. Popular CDBG-funded housing and economic development programs include assistance for:

- qualified homeowners to make improvements to their residences (20% of FY'04 funding)
- human services support, particularly for the elderly (19%)
- Boston Main Streets program to revitalize neighborhood commercial districts (6%)

## School Board Search

The search is on for a new member for the Boston School Committee starting in 2005. Susan Naimark, whose term expires on January 3, 2005, will not seek a third term. Ms. Naimark has served on the Board since January 1997. Boston residents interested in applying for the open position for a 4-year term can obtain an application by:

- Calling City Hall at 617-635-9504
- Pick it up at Mayor's Office, 5<sup>th</sup> Floor
- Download copy from [www.bostonpublicschools.org](http://www.bostonpublicschools.org)

The application deadline is Tuesday, November 16th at 4:00 P.M. The Mayor will appoint the new member from nominees recommended by a 13-member Nominating Panel.

The names of the current members and the year their terms expire are listed below.

Member	Served Since	Term Ends Jan.
Susan Naimark	1997	2005
Elizabeth Reilinger	1994	2006
Dennis Wright	2002	2006
Alfreda J. Harris	1993	2007
William L. Boyan	2003	2007
Marchelle Raynor	1999	2008
Angel Moreno	2000	2008



# HENRY L. SHATTUCK PUBLIC SERVICE AWARDS



## *Thank you*

The Bureau acknowledges with grateful appreciation the following corporations for their participation in sponsoring the Henry L. Shattuck Public Service Awards for 2004.

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KPMG LLP  
Liberty Mutual Group  
Mellon New England  
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Suffolk Construction Company  
TishmanSpeyer Properties  
Verizon

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Foley, Hoag LLP  
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New England Aquarium  
The Children's Museum  
The Four Seasons  
The Lenox Hotel  
The Ritz Carlton  
The Seaport Hotel  
The Westin Copley Place  
The Windham Boston Downtown







# Year Update

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## 2005 Research Agenda

**The Research Bureau's 2005 Agenda includes the following new initiatives:**

- Analyze Boston's housing permitting process
- Independent review of Commonwealth's local revenue structure
- Determine if District Improvement Financing (DIF) will work in Boston
- Identify the key issues in 2005 city elections
- Study the performance of Pilot Schools

*See the back page for further information on our agenda.*

## Boston's \$2.0 Billion Budget

*Six percent increase masks tight departmental operations*

Boston's first \$2.0B budget makes clear that the city faces long-term fiscal challenges that will require continued strong management and restraint even with an improving economy. Mayor Menino presented his recommended FY06 general fund budget of \$2.045B to the City Council on April 13, 2005. Growth in personnel-related costs have led to a 6% increase in this budget as compared with a 2.2% increase in FY05. Looking ahead, local aid for Boston may increase only marginally over the next few years.

### Expense

*The \$116.1M increases breaks out as follows:*

- 85.9% of the increase is for salary raises, a spike in pension costs and double-digit health insurance premium increases.
- 10.7% is allocated for growth in snow removal, housing and state assessments.

That leaves little room for restoration of cuts in departmental budgets from past years except for the School Department in which 1% is provided to each school from the 7% cut in FY03. The Police and Fire Departments will each add a new class to offset attrition and maintain uniform force gains achieved this year. This budget provides for an increase of 129 funded positions (FTE) on top of the growth of over 200 positions in FY05, primarily in public safety and schools in both years.

### Revenue

*Revenue highlights include:*

- Property tax levy: 56.7% (\$1.159B) of revenues come from the property tax levy. The levy increased by \$53.9M due to the normal 2.5% increase and \$22M in new growth.
- State aid: \$15.1M is due to teacher pension reimbursements, leaving only \$1.4M for other costs (a 0.3% increase over FY05).

The recently approved House budget does not change in any meaningful way state aid support for Boston. Instead, the Mayor's budget relies on increases in excise taxes, fines, interest on

investments and building permits for additional revenue. These increases reflect more the conservative nature of the revenue estimates in the FY05 budget than real growth in FY06.

The budget is not balanced with recurring revenue and relies on "Free Cash" reserves for \$20M in FY06.

### HIGHLIGHTS

\$2.045B	Total Budget
6%	Increase over FY05
85.9%	Amount of expenses dedicated to personnel-related costs
56.7%	Amount of revenue covered by property tax levy
3.2%	State aid increase (including teacher pension reimbursement)

### New Initiatives

*The budget includes a few new initiatives:*

- 450-seat expansion of full-day kindergarten for 4-year olds
- GPS pilot program in Public Works' trucks
- \$3.3M savings through re-bid and extension of solid waste contracts

Other initiatives include restructuring of 2 high schools into smaller learning communities; replacement of 6,000 traffic signal lights with Light Emitting Diodes; and merger of the Rental Housing Center into the Department of Neighborhood Development.

### Research Bureau Recommendations

In this tight fiscal climate, the Research Bureau urges the Mayor and City Council to guard against adding non-essential positions that will increase its spending obligations. The Council should be open to new approaches to providing services more cost-effectively. The Research Bureau currently is preparing a Special Report that will further analyze key spending and revenue accounts.



## Research Bureau's 2005 Agenda

*Priorities include analysis of housing permitting revenue structure*

The Research Bureau presented its 2005 Agenda at its 73rd Annual Meeting last month. The Agenda includes four initiatives and several on-going ones—all designed to promote stability and predictability in the basics of city government—tax policies, service delivery and public education.

### New initiatives

**Housing permitting.** Analyze current procedures and recommend ways to streamline the process so that it retains safeguards, but improves predictability and facilitates production. This project is undertaken in coordination with a city task force on housing permitting.

**Tax structure.** Respond to Mayor Menino's request for an independent analysis of the local revenue structure in Massachusetts.

**DIF.** Determine if District Improvement Financing, which applies growth in tax revenue in a district to infrastructure improvements, can be an effective tool for Boston given the City's heavy reliance on the property tax for operations.

**Mayoral Election.** The Research Bureau will offer its assessment of key issues facing the next mayor as a way to promote an informed dialogue among the candidates, the general public and the media.

### On-going

The Research Bureau will continue to advocate for implementation of recommendations made in our 2004 Competitive Service Delivery Report. In addition, research staff will conduct on-going analysis of city and school budgets, tax rates, and collective bargaining agreements. Also, a study of the impact of Pilot Schools on student performance in Boston will be initiated in 2005.

## Boston's Bond Rates Increase

*City's rating increases come after three years of tight finances*

Moody's Investors Service and Fitch Ratings recently both increased Boston's bond rating to Aa1 and AA, respectively. The increase puts Boston in an elite group of cities such as Dallas, Denver and Phoenix with a solid AA rating. The higher ratings signify better credit worthiness and will result in slightly lower interest costs on bonds sold. Boston's bond rating is now one grade above the Commonwealth's (AA-).

The rating increases reflect Boston's:

- Strong and proactive fiscal management
- Stable, diverse and growing tax base
- Sound financial position with adequate reserves
- Manageable debt position.

The ratings are tied to the City's bond sale of \$131.5M on February 15, 2005. Of that total, \$75M is new money for capital projects such as roads and school buildings and \$56.5M is a refunding bond that produced a net present value savings of \$3M or 5.4%. A portion of these savings will be applied to the City's FY06 debt service costs.

## Research Bureau News

*Highlights of recent work and accomplishments*

**Tax levy:** In February, the Research Bureau released its analysis of Boston's FY05 tax rate. The report predicted continued above average increases in residential property tax bills and called for a hard look at the City's revenue structure and spending priorities.

**Annual Meeting:** Mayor Menino spoke to an overflow crowd at the 73rd Annual Meeting on March 4. The Mayor called upon the Research Bureau to conduct an independent assessment of the local tax structures in Massachusetts.

**Police and Fire Departments:** The press continues to turn to the Research Bureau as the leading independent voice calling for reform in police and fire salary and overtime policies. Visit [www.bmrb.org](http://www.bmrb.org) for the latest articles on this important issue which continues to absorb growing amounts of city resources.

**A special thank you** to the Research Bureau's Cabinet Members for their significant support throughout the year!

Bank of America	Mellon New England
Citizens Bank	NSTAR
The Gillette Company	State Street Corporation
John Hancock Financial Services	Verizon

## Member News

### New Directors:

James M. Bradford Deloitte Consulting LLP	Jonathan Chiel John Hancock Financial Services
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Timothy L. Buckley Citizens Bank of Massachusetts	Matthew J. Kiefer Goulston & Storrs

Thomas N. O'Brien Tishman Speyer Properties
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Martin B. Shulkin Duane Morris, LLP	Dimock Community Health Center
Kevin J. Sullivan Sovereign Bank New England	Hanify & King
	Massachusetts Convention Center Authority
	Sherin & Lodgen LLP
	William Gallagher Associates

### New Members:

*In Memorium: The Board, members and staff of the Research Bureau mourn the passing of long-time director Ed Sidman. We salute Ed's countless contributions to Greater Boston's business and philanthropic communities.*





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# Bureau Update

## Police Officer Numbers Increasing

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Can Boston implement community policing in today's fiscal environment?

With the graduation of a class of 58 new officers from the Police Academy on May 19<sup>th</sup>, the number of sworn officers has increased to their highest levels since 2003. Sworn officers, which include all levels of superior officers, patrolmen, and recent academy graduates (probationary officers), totaled 2,020 as of May 22<sup>nd</sup>. This level is 46 officers more than September 2005's number of 1,974, but 175 officers less than January 2000's high of 2,195. Total uniformed officers, including recruits, have increased by 77 since September 2005. A class of 72 recruits entered the Academy this spring. Those graduating will become sworn officers in October or November.

The number of sworn officers does not reflect all officers performing police services since about 10% of these officers are not available for full duty for a variety of reasons. Of the May sworn number of 2,020, only 1,815 were ready for duty since 205 officers were not available due to injury, extended sick leave or administrative leave, light duty, suspension or military duty.

The size of the two planned recruit classes in the FY07 police budget will be the central point of discussion between the City Council and Mayor before the budget is approved later this month. The Mayor has recommended two classes of 35 but the Councilors will push for larger classes. Merging the Municipal Police with the Police Department could add numbers but issues need to be resolved.

The broader issue that must be evaluated is whether in today's fiscal environment, Boston can achieve the police staffing levels required to fully implement the community policing model it has adopted? The full cost of a police officer is substantially greater than in earlier years when staffing levels were higher. This fiscal year, the Department will spend approximately \$35M on police overtime (\$21.5M budgeted) trying to implement the model and respond to youth violence. The Mayor should charge the next Police Commissioner with answering this question.

Boston Police Department Strength 2000-2006

Positions	1/00	1/02	1/03	1/04	9/05	1/06	5/06	Change 9/05-5/06
Superior Officers	687	703	674	610	607	612	610	3
Patrolman	1,508	1,415	1,458	1,378	1,367	1,395	1,410	43
<b>Sworn Officers</b>	<b>2,195</b>	<b>2,118</b>	<b>2,132</b>	<b>1,988</b>	<b>1,974</b>	<b>2,007</b>	<b>2,020</b>	<b>46</b>
Recruits	50	43	0	52	41	58	72	31
<b>Total Uniformed</b>	<b>2,245</b>	<b>2,161</b>	<b>2,132</b>	<b>2,040</b>	<b>2,015</b>	<b>2,065</b>	<b>2,092</b>	<b>77</b>
Change over prior date	3	(84)	(29)	(92)	(25)	50	27	

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# Bureau Update

## Charter School Funding

*May 2006 #2*  
*High price to BPS should generate reform in next teachers' contract.*

In FY07, the City will pay a tuition assessment of \$53.7 million for Commonwealth charter schools serving students living in Boston. State reimbursements will reduce the cost to a net of \$39.6 million. These public charter schools provide important educational options for Boston parents and students and represent a competitive force intended to spur reform in the Boston Public Schools (BPS). Boston's tuition assessment of \$53.7 million is an increase of \$6.7 million or 14.2% over this year and represents 7.3% of the recommended FY07 BPS budget. Charter school enrollment of Boston students next year is projected to increase by 443 or 10.4% to 4,697 students, which represents 8.3% of the BPS total enrollment. The high price of tuition loss should demand reform language in the teachers' contract now being negotiated to make the BPS more competitive.

Fourteen Commonwealth charter schools operate in Boston (28% of state total) independent of BPS and union contract rules. The schools are funded through a formula that calculates the cost of educating each student by program and grade level in the BPS. Prior to 2004, the formula was based on the district-wide per-pupil average which was a disadvantage to Boston with its higher special needs and English Language Learner expenses. The formula also includes a component for

facility costs based on the average of all school capital facility expenditures in the prior year, adjusted for inflation.

### City of Boston FY07 Net Charter School Payment

#### Assessments

Charter School Tuition	\$49,874,177
Charter School Facilities	\$3,809,267
Assessment Subtotal	\$53,683,444

#### Reimbursements

Chapter 46 Reimbursement	\$10,271,073
Facilities Reimbursement	\$3,809,267
Reimbursement Subtotal	\$14,080,340

Net Charter School Payment \$39,603,104

Massachusetts Department of Education estimates

Two forms of state reimbursement total \$14.1 million in FY07. The state reimburses the City for any year's charter school tuition increase for three years based on a declining scale of 100%, 60% and 40%. In addition, the state provides reimbursement for the entire facility cost component of the formula. Payment of both reimbursements has been subject to state appropriation, which has not always funded the total amount owed by the Commonwealth.

Boston also has two Horace Mann charter schools, which receive funding directly from the BPS.



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# Bureau Update



## City Council Approves Salary Increases

*May 2006 #3*  
*Mayor should set department head salaries based on performance.*

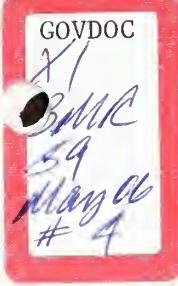
On May 3<sup>rd</sup>, the City Council adopted the recommendations of the Compensation Advisory Board (CAB) to increase each Councilor's salary to \$87,500, a raise of \$12,500 or 16.7%. The Council also approved CAB's recommendations to increase the Mayor's salary to \$175,000, a raise of \$25,000 or 16.7%. Equally important, the Council set new salary ranges for the various categories of department heads based on their level of responsibility. The last time salaries and ranges were increased was four years ago.

CAB was established by ordinance in 1986 for the purpose of reviewing and providing independent judgment on the issue of salaries for Boston's elected officials and department heads. The Board consists of five members, appointed by the mayor, two of whom are required to have experience in the field of personnel management. CAB is required to

report salary recommendations to the Mayor and City Council by filing a report with the City Clerk by the first Wednesday in March of every even numbered year.

With the salary ranges now in place, it is up to the Mayor to determine the individual salaries of the City's department heads. The Mayor has the sole discretion to set the salary for each department head within the appropriate ranges and to adjust them accordingly as he sees fit. As the Research Bureau has recommended on several occasions, the Mayor should utilize performance-based measures in determining individual salaries. How the Mayor establishes salaries is an important factor in retaining and attracting experienced managers for Boston, especially in light of the City's current department head vacancies.





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# Bureau Update

## Linkage Fees Increase

*May 2006*  
*Large-scale commercial development to pay higher exactions.*

Large-scale commercial development projects will pay higher linkage fees in the future. At the request of Mayor Menino, the Boston Redevelopment Authority (BRA) and Boston Zoning Commission approved an increase in the linkage fees for affordable housing and job training by 9.6% and 9% respectively effective April 2006. The affordable housing fee increased from \$7.18 per square foot to \$7.87 and the job training fee increased from \$1.44 per square foot to \$1.57. No further approval was required since the increase took place four years after the last increase in January 2002. The linkage statute provides that the linkage fees can be raised based on a combined consumer price index but not more frequently than at 3-year intervals. These higher fees will not apply to grandfathered projects that already applied for zoning relief before the effective date of the increase, unless the project later is substantially modified.

Reasoning that the commercial real estate market has been improving, City officials felt this year was appropriate to hike the fees. The commercial office market has experienced six consecutive quarters of positive net absorption, illustrating traction and momentum. Over the past twelve month period (1Q05 – 1Q06), available space as a percentage of total inventory has decreased to 12.4%. With fewer available options, average asking lease rates for Class A towers have

appreciated nearly 16% to \$41.35 per gross square foot.

The linkage program (Ch. 371, Acts of 1987) imposes an obligation on large-scale commercial real estate developments that require zoning approval to provide exactions based on a fixed dollar amount per square foot of gross floor area in excess of 100,000 square feet. The fees collected pay for the expansion of affordable housing and job training programs. As shown by the table, the fee increases this year are the fourth since 1987 when the program began. Since 1987, linkage fees have generated over \$99.5 million for affordable housing. The Neighborhood Housing Trust (NHT) has awarded \$87.3 million to 121 different projects throughout the City, which has contributed to the creation of 8,026 housing units of which 6,150 are affordable. In 2006, the NHT received \$4.7 million in linkage fees.

### Linkage Fee History

Year	Housing	% Increase	Job Training	% Increase
1987	\$5.00	-	\$1.00	-
2000	5.49	9.8%	1.09	9.0%
2002 *	7.18	30.8%	1.44	32.1%
2006	7.87	9.6%	1.57	9.0%

\* Authorized by Ch. 170, Acts 2001



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# Bureau Update

## FY07 City Budget Moving Forward

*May 14, 2006*  
*City Council expected to push for more police officers.*

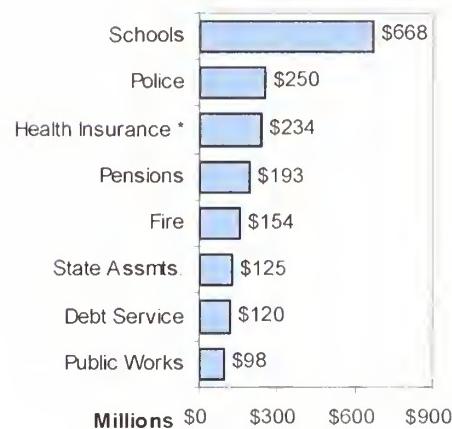
Reducing violent crime, closing the achievement gap, narrowing health disparities and increasing the housing supply are the goals of the Menino Administration's FY07 budget of \$2.14B, an increase of \$87.9M or 4.3%. Since April 11<sup>th</sup>, the City Council has followed a schedule of budget hearings on 17 main accounts representing over 97% of discretionary city spending. The Council is expected to push for more police officers than the two classes of 35 in the budget. Any negotiated additions will need to be offset by cuts in other areas and/or identification of additional revenues.

### Budget Facts FY07

- Over 50% of the \$87.9M spending increase falls in three areas: salaries, utilities, and health insurance.
- Other non-departmental spending areas such as debt service, pensions and state assessments absorb another 16% of the total spending increase in FY07.
- The City workforce is expected to grow by 463 positions, with the majority for education (309.2) and public safety (172.2).
- The Police Department is expected to net 124.7 personnel primarily due to new classes of recruits and the merger with the Municipal Police.

- There are no funds included for future collective bargaining costs. However, more revenue may come from final state aid. The FY07 Senate budget provides \$6.7M more in Ch. 70 aid than estimated in the Mayor's budget.
- The School budget has funding to continue the expansion of full-day kindergarten, restore 1% of the past cuts in schools and address the achievement gap through a multi-faceted strategy.
- Eight operating accounts absorb 86.2% of city spending, with 32.1% of spending for schools. (graph)

**City of Boston Top 8 Budget Accounts FY07**



Millions \$0    \$300    \$600    \$900

\*Health Insurance includes schools



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# Bureau Update

## Inclusionary Development Policy Change

*BRA to work out details with stakeholders.*

The cost of building market rental and condominium housing in Boston has become more expensive due to recent changes in the City's Inclusionary Development Policy (IDP). The objective of the changes is to increase the creation of affordable housing, especially in areas of the city with the greatest need. The Boston Redevelopment Authority (BRA) will still need to finalize various details of the IDP and will work with interested parties for this purpose.

On May 16<sup>th</sup>, Mayor Menino issued an Executive Order that modified the City's IDP to raise the developers' contribution for affordable units built off-site and to steer these housing dollars to those in Boston's workforce with lower income limits and to areas of the city where affordable housing is below the citywide average of 20%. The BRA also will restructure the program to distribute these housing funds through a new competitive process. Since 2000, the City's IDP has created 715 affordable housing units, of which 344 are affordable for households earning less than 80% of the area median income.

The new IDP increased the monetary value developers would be required to pay to build affordable rental units off-site from \$97,000 to \$200,000. For condominiums, developers would pay \$200,000 per unit or at least half the difference between the price of a market rate unit and the price of an on-site affordable unit, whichever is greater. Under the existing IDP, developers building rental housing projects of 10 or more units or projects requiring zoning relief by the City must make 15% of the market-rate units affordable to moderate and middle-income renters. Developers who received BRA approval could opt to develop 15% of the proposed market rate units off-site or pay a per unit contribution of \$200,000 for 15% of the units, up from \$97,000.

Over the past 18 months, a group of business and real estate leaders and housing advocates and consultants have been developing a proposal to modify the City's IDP for the same purpose of increasing funds for the development of a greater number of affordable housing units. A final IDP would benefit from a discussion of these ideas.



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From: dsmith@bmrb.org on behalf of Sam Tyler [dsmith@bmrb.org]

Sent: Friday, July 27, 2006 1:32 PM

To: boston@bmrb.org; bostdel@bmrb.org; bostherald@bmrb.org; city@bmrb.org; citycouncil@bmrb.org; globe@bmrb.org; globe@bmrb.org; media@bmrb.org; members@bmrb.org; nonprofits@bmrb.org; school@bmrb.org; state@bmrb.org

Subject: Boston News To Use



# Bureau Update

**June/July 2006**

## Underperforming Boston Schools

*Authority to restructure schools needed*

Of Boston's 136 schools, 66 are identified as being in need of academic improvement under the No Child Left Behind legislation. Boston is limited in its ability to restructure schools. State authority or change in the teachers' contract are needed. [MORE>](#)

## State OPEB Liability Released

*State identifies its retiree health benefits liability, Boston to follow soon*

The State Office of the Comptroller released its report indicating the extent of the state's actuarial liability for retiree benefits other than pensions (OPEB) - a \$13.287B cost assuming no pre-funding of costs. The City of Boston's report is expected to be released soon and that number could exceed \$2B. [MORE>](#)

## New Face on the City Council

*LaMattina wins District 1 special election*

On June 13, the special election to replace District 1 City Councilor Paul Scapicchio was won by Salvatore LaMattina. This was the first ever special election for District 1 which is comprised of Charlestown, East Boston, and the North End. [MORE>](#)

## Economic Development Bill Awaits Legislative Vote

*Infrastructure investment incentive offers a new development tool tied to job growth.*

A new state-local infrastructure development bill tied to job creation rather than the property tax is being considered by the Legislature. House 5111, the Infrastructure Investment Incentive (I<sup>3</sup>) bill, encourages economic development in Massachusetts by providing public support of infrastructure improvement for projects that create net new jobs in the state. [MORE>](#)



## Soccer in Boston

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*Guidance for city funding found in precedents of two prior projects*

Major League Soccer (MLS) has expressed interest in having teams build smaller “soccer-only” stadiums in cities throughout the United States. Commitment of any public funds for a stadium in Boston may be guided by precedents set in 1998 and 2000. [MORE>](#)

## Bureau News

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## Bureau Calendar

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2006 Henry L. Shattuck Public Service Awards

October 26, 2006 at 6:30 p.m.

The World Trade Center - Boston

## Research Bureau Recent Releases

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[Boston's FY07 Budget Is Set, Concerns Loom](#) July 26, 2006

Boston Municipal Research Bureau ¶ 333 Washington Street ¶ Boston, MA ¶ 02108



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# Bureau Update



## Underperforming Boston Schools

*Authority to restructure schools needed*

Half of Boston's public schools have been formally identified as being in one of four stages of needing improvement under the federal *No Child Left Behind* (NCLB) legislation. NCLB requires schools, districts and states to make Adequate Yearly Progress (AYP) toward the goal of bringing 100% of their students to academic proficiency in reading and mathematics by 2014. Progress toward this goal is measured by the MCAS test and AYP determinations are made for all students as well as for each federally mandated student subgroup (five racial groups, Limited English-proficient students, students with disabilities and students receiving free/reduced lunch).

The Massachusetts Department of Education and the federal government have established interim performance targets and individual school and district improvement targets with sanctions associated with failure to make AYP. When students in aggregate or a particular subgroup in a school do not make adequate yearly progress (AYP) in ELA or math for two consecutive years, the school is formally identified for improvement and must revise or develop a school improvement plan. Schools receiving federal Title I funds must offer their students supplemental support services or the option to transfer to another school. Schools not making AYP for three consecutive years are identified for corrective

action, which requires changes in curriculum, instruction, governance or staffing. After five consecutive years, a district must prepare a plan to restructure the school.

Of Boston's 136 schools, 66 are in one of four categories of needing improvement. Eight schools are new and do not have data to establish an AYP rating. As shown below, 15 schools have not met AYP for three or more consecutive years and require either corrective action or restructuring.

### NCLB School Status

Category	# of Schools	No AYP
Improv. - Subgroups	16	2 yrs.
Improv. - School	35	2 yrs.
Corrective Action	7	3 yrs.
Restructuring	8	5 yrs.
<b>Subtotal Action Required</b>	<b>66</b>	
Meet Requirements	62	
No AYP status	8	
<b>School Total</b>	<b>136</b>	

Boston and other school districts are limited in their ability to move forward to restructure schools. State authority or agreement in the current contract negotiations between the Boston School Committee and the Boston Teachers Union are needed to effect changes required in a school restructuring process.

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# Bureau Update

## State OPEB Liability Released

*State identifies its retiree health benefits liability, Boston to follow soon.*

The first important step in a process that will have significant financial implications for both the Commonwealth and all Massachusetts cities and towns was taken on June 28, 2006. On that day, the Office of the Comptroller released its report indicating the extent of the state's actuarial liability for retiree benefits other than pensions (OPEB). The liability as of June 30, 2006 for the costs of retiree health care, group term life insurance and dental/vision benefits was estimated at \$13.287 billion, assuming no pre-funding of costs. However, should the state decide to pre-fund the liability in an irrevocable trust, similar to the Commonwealth Pension Liability Trust, the liability would drop to \$7.562 billion due to the increase in the rate of assumed return on investments. This liability estimate was issued in response to new standards established by the Governmental Accounting Standards Board and includes only Commonwealth employees and their survivors.

Financially, with pre-funding, the cost of financing the OPEB liability in FY06 would have doubled what the state paid on the current pay-as-you-go basis through the Group Insurance Commission (GIC). In FY06, the GIC paid \$335.5 million in retiree benefits other than pensions. Factoring in the liability would have raised the annual required contribution (ARC) to \$702.9 million, an increase of \$367.4 million. The ARC was

projected to increase to \$1.205 billion in FY16, ten years later.

With the release of the state Comptroller's report, the Governor and Legislature now need to establish how the Commonwealth will proceed to fund this liability with its higher annual costs through a structure that meets the needs and ability of the state and the cities and towns. The Comptroller's report makes it clear that a structure that involves pre-funding and a higher assumed return on investments will create a lower total liability. This situation is analogous to the pension liability and state reform in 1988.

The City of Boston is expected to release its own actuarial valuation of OPEB liabilities shortly and that number could exceed \$2 billion. The Comptroller's analysis cannot be used to project the increase in Boston's annualized OPEB costs since assumptions and risk pools may differ, but a doubling of retiree health benefit costs would have added an additional \$79 million to the City's budget in FY06. This long-term, annual increased liability should have a sobering effect on future city budgets and current collective bargaining negotiations.

For a more complete explanation of OPEB, see *Mounting Personnel Costs Threaten Boston's Competitive Edge*, October 2005 at [www.bmrb.org](http://www.bmrb.org).



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# Bureau Update



## New Face on the City Council

*LaMattina wins District 1 special election*

On June 13, the special election to replace District 1 City Councilor Paul Scapicchio was won by Salvatore LaMattina. This was the first ever special election for District 1 which is comprised of Charlestown, East Boston, and the North End. Scapicchio vacated his seat on April 30 to become Senior Vice President of Government Relations at ML Strategies. The final two candidates on the ballot were LaMattina and Dan Ryan, selected from a field of eight candidates in a preliminary election on May 16, 2006. Voter turnout in June for the district was 8,317 or 28.4%. The results were close, with LaMattina winning with 4,229 votes

or 50.9%, and Ryan getting 4,073 votes or 49.1%. Councilor LaMattina, the former Director of Operations for Boston's Transportation Department, was sworn in on June 26 to serve the remaining eighteen months of Councilor Scapicchio's two-year term.

Councilor LaMattina has been selected by Council President Flaherty to serve as Chair of the Aviation & Transportation Committee and the Intergovernmental Relations Committee. He will also serve on the Ways & Means Committee and several other committees.



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# Bureau Update



## Economic Development Bill Awaits Legislative Vote

*Infrastructure investment incentive offers a new development tool tied to job growth*

A new state-local infrastructure development bill tied to job creation rather than the property tax is being considered by the Legislature. House 5111, the Infrastructure Investment Incentive (I<sup>3</sup>) bill, is a practical addition in this current fiscal environment since it encourages economic development in Massachusetts by providing public support of infrastructure improvement for projects that create net new jobs in the state.

I<sup>3</sup> reflects more appropriately the current tax structure between the state and cities and towns in Massachusetts. The bill recognizes that development that creates net new jobs will benefit the Commonwealth with additional personal income and sales tax receipts and the municipalities with additional property tax revenue. Because both levels of government share in the benefits of the development, I<sup>3</sup> requires that both share in the risk of offering an incentive.

House 5111 is a complex bill that would apply to a specific type of development in cities and towns that would create net new jobs in

Massachusetts. Availability of a job creation development incentive would enable municipalities to work with the state on projects where this approach is appropriate and to better target projects where property tax incentives such as District Improvement Financing (DIF) would work.

An attractive feature of this bill is that before an economic development plan is presented to the state and local community for approval, the developer must first complete the permitting process at the local level. That requirement provides strong incentive for the municipality to streamline its permitting process in order to move forward on a more timely basis with a project.

This bill would provide a useful tool to develop sections of Boston in need of significant infrastructure improvement. This incentive enables municipalities to work with the state to share the risks and the rewards while establishing adequate acceptance procedures to ensure that both are financially protected in executing a development plan.



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# Bureau Update

## Soccer in Boston

*July 1, 2006 - 5*  
*Guidance for city funding found in precedents of two prior projects*

Major League Soccer (MLS) has expressed interest in having teams build smaller "soccer-only" stadiums in cities throughout the United States as a strategy to improve fan experience and grow its base nationally. The City of Boston has been asked by MLS officials to consider submitting a proposal for a stadium. The New England Revolution, the local MLS team, is owned by the Kraft family and plays its home games at Gillette Stadium in Foxboro, Massachusetts.

Mayor Menino indicated that he will appoint a task force to review the stadium proposal. Finding a suitable location in Boston for a stadium will be one challenge as noted by the two parties who separately are exploring the possibility of locating a minor league baseball team in Boston.

To what extent the City of Boston would utilize public funds to support a new stadium is a bigger issue. On that point, it is worth noting the precedents set in 1998 and 2000 regarding the City's financial involvement in a major project requiring use of the City's bonding authority. In both the Boston Convention and Exhibition Center project in 1998 and the legislation to build a new Red Sox stadium in 2000, Boston's capital costs were funded by new revenue sources authorized in the enabling legislation. The City did not have to rely on using existing operational revenues to fund its share of either project.

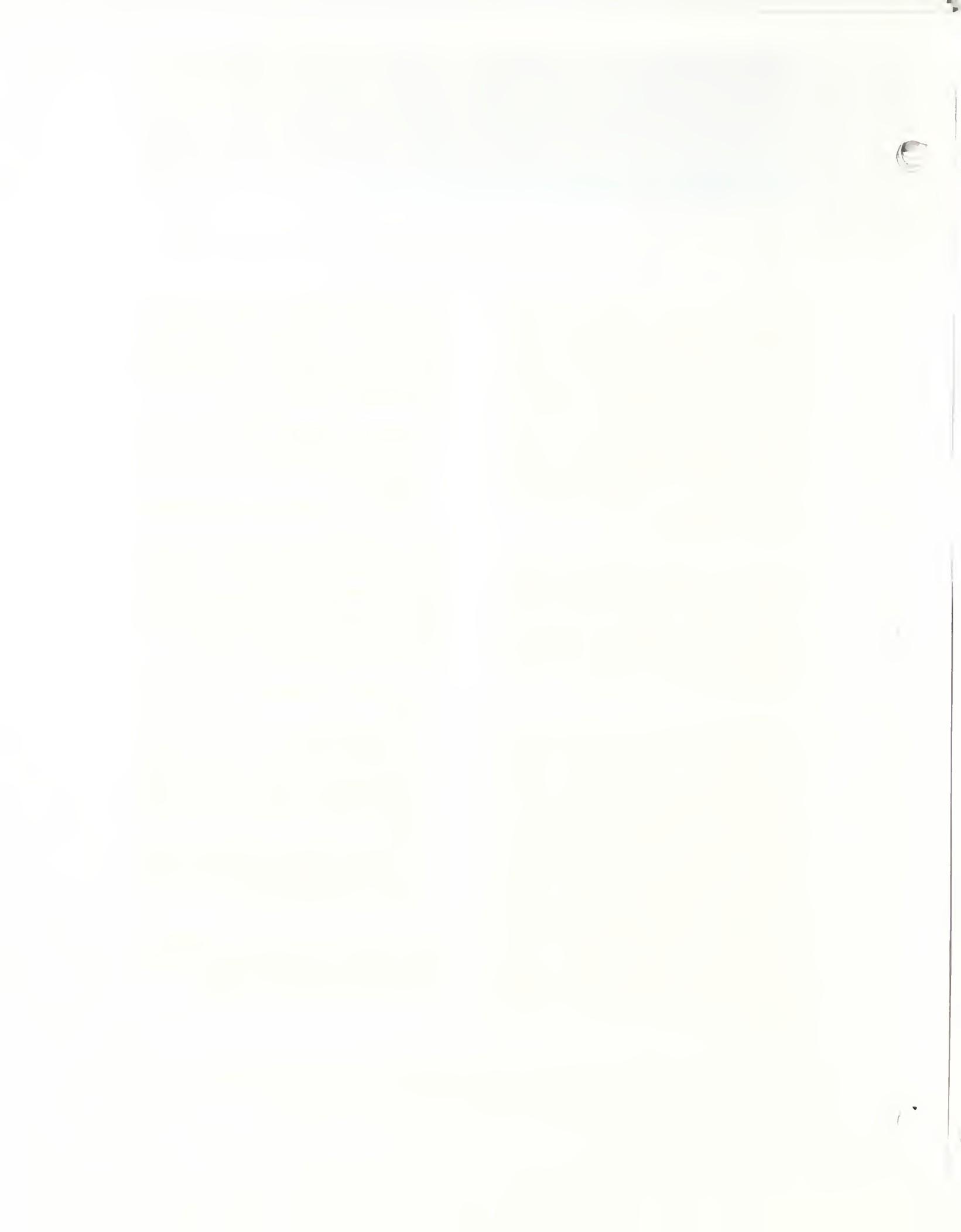
For the \$650 million convention center in South Boston, the City's responsibility was purchase and preparation of the land. Boston's capital expenses were funded from the following new revenue sources:

- 4% room occupancy excise from new hotels opened after July 1, 1997
- Proceeds from the sale of 260 new taxi licenses
- \$1.00 from car and truck rentals in Boston

For the \$627 million proposed new Red Sox stadium, Boston's responsibility was land acquisition, site preparation and soil mitigation. The City's annual debt service expenses were limited to \$12 million which was to have been funded from the following new sources:

- 5% facility betterment fee on each ticket sold
- 15% facility betterment fee on each private suite's license fee
- Parking fee of \$5.00 for no less than 9,000 parking spaces within a radius of the ballpark starting two hours before each game
- No more than \$1.5 million from sales tax on meals, beverages and other services within the footprint of the ballpark over receipts collected in FY00

Any proposal for a new soccer stadium in Boston expecting financial support from the City should heed these prior examples.



# Bureau Update



October 2006

## It Pays To Be Elected

*Performance of department heads to be evaluated*

Based on recommendations from the Boston Compensation Advisory Board, the Boston City Council on May 3, 2006 approved the Mayor's proposal to increase the salary of the Mayor by \$25,000 or 16.7% to \$175,000 and the salaries of the City Councilors by \$12,500 or 16.7% to \$87,500. The salaries for these elected positions were last increased four years ago. Salary ranges for department heads and other positions whose salaries are set by ordinance based on their level of responsibility were also increased by the ordinance. Six days after the ordinance was approved the new salaries for the Mayor and City Councilors became effective.

Unlike the elected officials, no department head appointed by the Mayor has seen an increase in his or her salary as a result of the new salary ranges. In fact, no change has been made even for three department heads whose current salaries are less than the minimum salary of their new effective ranges. The annual difference for each of the three exceeds \$7,000. The Mayor has the sole discretion to set the salary for each

department head within the appropriate ranges and to adjust them accordingly as he sees fit.

Administration officials have explained that salary adjustments will be made following an evaluation of the performance of each department head that is now being finalized. A performance evaluation review would be a new initiative of the Mayor who in the past has approved the same salary increase for each department head with an exception of one or two years. On several occasions, the Research Bureau has recommended that the Mayor use performance-based measures to reward excellent performance of members of his top management team and to send a message to those whose work is not up to expected standards. This first year will not be as formal a process as might be expected in subsequent years when department heads will have a better sense of the expectations of their position. Any salary adjustments as a result of the evaluations are expected to be made before the end of the year.



# Bureau Update



October 2006

## BPS Teacher Retention Faces Challenges

*Strategies focusing on collaboration and support show early success*

Retention of new teachers in the Boston Public School System (BPS) has become a challenge requiring the development of new support strategies. Over the next several years, the BPS will be required to hire 500 to 700 new teachers each year and will face shortages of teachers in such critical areas as math, science, special education, and bilingual education. Under the federal No Child Left Behind law, these teachers will have to be certified in the subjects they teach. In recent years, Boston's experience is that 50% of all newly hired White, Latino, American-Indian, and Asian-American teachers leave the BPS after four years while 50% of Black teachers leave after three years.

Research by the BPS found that teachers who feel they have poor access to support, including feedback on teaching, help planning lessons, and professional development, are likely to leave the BPS sooner. In response, the BPS has combined existing programs and new initiatives to create the following four strategies to increase teacher retention:

1. Improve coordination between the Human Resources and Teaching and Learning Departments. One such collaboration was this year's jointly planned New Teacher Institute, which provides training for new teachers before classes begin.
2. Increase BPS competition in the market for new teachers by posting openings

earlier in the spring than in previous years. Using more competitive hiring practices will allow the BPS to improve teacher quality. This year, the BPS first posted open teaching positions on February 17, 2006, compared to May 31, 2004 for the 2004-2005 school year.

3. Grow talent through the Boston Teacher Residency program, which is modeled on medical residency, and the Emerging Teacher program, which provides classroom time with an experienced teacher for potential teachers without a background in education.
4. Provide new teachers with intensive, targeted support within the classroom through the New Teacher Support Team, which manages hiring paperwork and hosts events to orient new teachers. Also, full-time and part-time New Teacher Developers give advice on creating lesson plans, supervising classroom behavior, and assessing student learning.

The BPS has realized some early successes through implementation of these strategies. First-year retention has increased from 74% in the 2004-2005 school year to 84% for the 2005-2006 school year. In addition, the school system has increased its capacity for gathering and analyzing teacher retention data in order to continue making improvements in the future.



## Jones, Sam P.

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**From:** city-owner@bmrb.org on behalf of Sam Tyler [ebeattie@bmrb.org]  
**Sent:** Wednesday, December 06, 2006 12:04 AM  
**To:** bod@bmrb.org; bostdel@bmrb.org; bostherald@bmrb.org; city@bmrb.org; citycouncil@bmrb.org; editorial@bmrb.org; globe@bmrb.org; media@bmrb.org; members@bmrb.org; nonprofits@bmrb.org; school@bmrb.org; state@bmrb.org  
**Subject:** Boston News To Use



November 2006

### Boston Ends 2006 With Surplus

*Conservative revenue estimates offset overtime spending*

The City of Boston ended FY06 with a \$13.9M General Fund surplus. Total receipts exceeded the revenue budget by \$42.1M which drove this surplus. The extra revenue covered actual spending that was \$28.3M over budget. The surplus represents 0.7% of total city spending. The surplus will become part of the free cash certification for future use. [MORE>](#)

### Preliminary FY07 Tax Bill Increases

*Valuations reflect 2005 market activity*

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*A new version of rent control or just encouraging negotiations?*

A proposed ordinance now before the Boston City Council would require certain landlords to negotiate with recognized tenant organizations on any substantial rent increase or other major change in the tenants' contract. The intent of the ordinance is to require Boston landlords to negotiate in good faith. Is this ordinance a new version of rent control or is it merely requiring tenants and landlords to negotiate together in an effort to avoid issues being taken to housing court? [MORE>](#)

### Incentive Pay For Teachers

*Union plan is good start but should be expanded*



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**Soaring Health Insurance Costs Threaten Boston's Competitive Edge.**  
Boston and Other Municipalities Face a Crisis of Unsustainable Cost Increases

## Bureau News

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# Bureau Update



November 2006

## Boston Ends 2006 With Surplus

*Conservative revenue estimates offset overtime spending*

The City of Boston ended FY06 with a \$13.9M General Fund surplus. Total receipts exceeded the revenue budget by \$42.1M which drove this surplus. The extra revenue covered actual spending that was \$28.3M over budget. The surplus represents 0.7% of total city spending. The surplus will become part of the free cash calculation for future use.

### FY06 General Fund Financial Summary Figures in millions

	Budget	Actual	Change
Revenues	\$2,062.12	\$2,104.25	\$42.13
Expenditures	\$2,062.12	\$2,090.39	(\$28.27)
Surplus		\$13.86	

#### Expenses:

In FY06, city spending of \$2.090B exceeded the budget by \$28.3M. The Fire and Police Departments accounted for almost 80% of the excess spending. The Fire Department spent \$12.5M primarily for overtime costs and spending for permanent employees. The Police Department's overtime costs alone are the primary driver of its \$9.8M deficit. In FY05, the Police Department ended the year in a similar situation, having in previous years made adjustments to offset overtime deficits.

#### Income:

Revenues totaled \$2.104B in FY06, \$42.1M more than budgeted. A little over 80% of this revenue surplus came from three revenue sources: (1) Payments-in-lieu of taxes (PILOTS), (2) motor vehicle excise taxes

(MVE) and (3) building permits. Delayed and one-time receipts contributed to the MVE and PILOTS totals respectively. These surpluses combined with other growth areas allowed the City to forego using almost \$32M in budgeted revenues. This includes \$13.3M in available fund balance revenues, \$9.3M in surplus property funds and \$9M in parking meter money that the City originally intended to use. Fund balance revenue (free cash) is treated as a non-recurring source and reducing its use for operating expenses is prudent.

### Select Revenue Account Surplus Figures in millions

	Budget	Actual	Surplus
MVE	\$38.60	\$50.20	\$11.60
Other Excise			
Taxes	66.90	76.03	9.13
State Revenues	546.16	549.78	3.61
PILOTS	46.81	60.58	13.77
Building Permits	17.00	26.25	9.25
Investment			
Income	22.81	30.05	7.24
Parking Fines	61.30	63.99	2.69

### Select Spending Account Deficits Figures in millions

	Budget	Actual	Deficits
Police	\$235.46	\$245.22	(\$9.77)
Fire	148.01	160.52	(12.51)
Snow removal	10.60	11.93	(1.34)
Court Settlements	3.50	10.50	(7.00)

Source: City of Boston Financial Reports

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# Bureau Update

November 2006

## Incentive Pay For Teachers

*Union plan is good start but should be expanded*

The leaders of the Massachusetts Teachers Association (MTA) and the state chapter of the American Federation of Teachers (AFT) recently announced support for extra pay for teachers who work in “high-poverty” schools. This is the first public indication of support from the teachers unions for some form of differential pay for teachers. This proposal is encouraging and a good starting point but it should be incorporated into a more comprehensive plan to accelerate the pace of reform and improve student performance in the public schools. The same principle of differential pay should be applied to certain under-performing schools under the federal No Child Left Behind law.

The urgency for bold steps to improve student performance is exemplified by the fact that 89 schools in the Boston Public School System (BPS) have been formally identified as being in need of improvement. Thirteen of these schools have not met adequate yearly progress for five consecutive years which should lead to them being restructured.

Recognizing the importance of reforming Boston’s under-performing schools to improve student performance, the Research Bureau joined with four other public policy organizations to recommend a four-step reform plan. With contract negotiations underway, these steps are tied to three provisions in Boston Teachers Union’s (BTU) contract and one provision in the Boston Association of School Administrators and Supervisors’ (BASAS) contract.

### Reforms proposed for the BTU contract:

- Allow the Superintendent to annually designate 10 low-performing schools as Turnaround Schools, in which he would have more flexibility to determine staffing, scheduling, school structure and budgeting free from contract restrictions.
- Adjust teacher pay based on level of responsibility and provide differential pay for teachers who work in under-performing schools or teach high-demand subjects such as mathematics or science. The latter is opposed by the MTA and AFT, as is merit pay. Differential pay will make it easier to recruit excellent teachers in the places they are most needed.
- Allow pilot schools to be approved by a two-thirds vote of the school faculty and the vote of the School Committee. This change would eliminate the need for a second layer of approval from the BPS Administration and BTU.

### Reform proposed for the BASAS contract:

- Eliminate the requirement that assistant headmasters, assistant principals and program managers be unionized positions. These individuals are key members of the management team and should negotiate their contracts directly with the Superintendent or his designee.

These contract changes would provide important new tools to assist incoming Superintendent Manuel Rivera as he develops his plan to improve student performance and reduce the achievement gap.



# Bureau Update

November 2006

## Ordinance Requiring Tenant-Landlord Negotiations Filed

*A new version of rent control or just encouraging negotiations?*

A proposed ordinance now before the Boston City Council would require certain landlords to negotiate with recognized tenant organizations on any substantial rent increase or other major change in the tenants' contract. The intent of the ordinance is to require Boston landlords to negotiate in good faith. Is this ordinance a new version of rent control or is it merely requiring tenants and landlords to negotiate together in an effort to avoid issues being taken to housing court? What determines if landlords are negotiating in good faith? Can the pillar of the labor movement, that workers have the right to negotiate with management, be extended to the relationship between landlords and their tenants? Who will be the arbiter in these discussions and how much bigger and more expensive will the city bureaucracy grow to manage this process? Does the ordinance conflict with existing state law? Will this ordinance, if passed, create uncertainty and affect the flow of private dollars for housing construction in Boston? All these questions will need to be fully explored before the City Council takes any action.

This ordinance, submitted by At-large Councilor Sam Yoon, would cover landlords who own 20 or more residential rental units and live in Boston and those who own 10 or more units and live outside of Boston. Tenant organizations recognized by the ordinance must represent more than 50% of the households residing in the landlord's building.

Boston's Rental Housing Resource Center (RHRC) would be responsible for organizing

all landlord-tenant negotiations. In order to comply with the ordinance, both landlords and tenants must bargain in good faith. For landlords, this means the consideration of the tenants' interests in security, stability, affordability, and adequate living conditions. The tenants must consider the landlord's costs in operating, maintaining, and improving the building, as well as the landlord's right to a reasonable profit. Complaints that either party violated the provisions of this ordinance would lead to an independent investigation.

The RHRC would be responsible for establishing and compensating an independent panel of investigators to research any alleged violations. If the landlord is found in violation of the ordinance after an investigation and hearing process, a letter of non-compliance would be kept on file for a year at numerous city agencies, including the Boston Redevelopment Authority, the Inspectional Services Department, and the Licensing Board. Any of the landlord's bids in response to RFPs or the sale of public land and any applications for building permits or business licenses would be considered incomplete while there is a letter of non-compliance in the landlord's file. If the tenant organization is found in non-compliance, it will cease to be recognized by the RHRC and thus unable to engage in collective bargaining.

Many questions arise about the application of this proposed ordinance and any effects it would have. The Research Bureau will examine the ordinance in more detail to further explain its possible implications.



# Bureau Update



November 2006

## Preliminary FY07 Tax Bill Increases

*Valuations reflect 2005 market activity*

Because FY07 is a full revaluation year, the City of Boston has sent preliminary valuation and tax bill information to property owners in order to give them an opportunity to respond before final values are set. The preliminary values represent an increase of approximately \$12B or 16%, bringing the total taxable assessed value to \$86.7B. That would represent a doubling of the City's taxable value in seven years. Residential and business value increases trended fairly close together at 17% and 14% respectively. Final values still require approval of the state Department of Revenue. By group, preliminary single-family residential values increased by 14%, condominiums by 15% and commercial property by 15%. The values are set as of January 1, 2006, which means they reflect the market activity of 2005.

The preliminary tax rate for residential property is set at \$10.90 per thousand dollars of value, a decrease of 2% over the prior year. The business tax rate of \$26.98 reflects a decrease of 12%.

The estimated average tax bill for a single-family house increased by 11% over the prior year to approximately \$3,000. Homeowners may have expected that the current weakness in the residential market would cause their values to stabilize or even decline this year.

However, the residential sales were still strong in 2005 which is reflected in the 14% value growth. Any weakness in the residential market in 2006 will be reflected in the FY08 valuations and tax bills.

Also contributing to the residential tax bill increase is the fact that for FY07, the ceiling to which the tax burden could be shifted to business property decreased by 7% as required by the 2004 classification law. The business ceiling will decrease further in the next two fiscal years. Business property continues to pay a larger share of the property tax levy, but its share has decreased from 70% of the total in FY02 to a preliminary estimate of 58% in FY07.

Helping mitigate the rise in the residential tax bill was an increase of the residential exemption to \$1,500 for owner-occupied property. That represents a 12% increase over last year's exemption of \$1,345.

The official tax bills that will be mailed in late December may differ from the preliminary estimates once the final valuations are set. The Research Bureau will release a report early next year explaining the valuation and tax rate results.



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# Bureau Update

December 2006

## Tax Bills Reflect New Values and Rates

*Residential property accounts for total tax levy increase*

The City of Boston's total taxable value in FY07 grew by 16% over the past year but value and classification changes resulted in the residential portion of the tax levy increasing by 15% while the business portion decreased slightly. The increasing values caused residential and business tax rates to decrease by 1% and 12% respectively. Boston's values and tax rates have been approved by the state Department of Revenue and the property tax bills have been mailed. These third quarter bills are due on February 1.

Residential (R) and Commercial, Industrial, Personal (CIP) property values have grown at a similar pace, 17% for residential and 13% for business. Total taxable value grew to \$86.5B, an increase of \$11.8B over last year.

FY07 is a full revaluation year and the values are set as of January 1, 2006, reflecting the market activity of 2005.

Boston's business property represents 31% of taxable value in FY07 but pays 58% of the tax levy. However, the CIP levy share has declined from 70% in FY02. The early value differentials and reducing the business ceiling each year since FY04 (7% in FY07) as required by the 2004 classification law account for the shift.

Boston's FY07 average single-family tax bill increased by 12% to \$3,091. In the last five years, the average single-family tax bill grew by 78%. The state average this year is \$4,004.

**City Of Boston Value, Tax & Levy Summary**  
FY06-FY07 figures in 000's

	FY06	FY07	Variance	% Variance	% of Total
<b>Values</b>					
Residential	50,688,907	59,293,474	8,604,567	17.0%	69%
CIP	24,049,094	27,222,631	3,173,537	13.2%	31%
<b>Total</b>	<b>\$74,738,001</b>	<b>\$86,516,106</b>	<b>\$11,778,104</b>	<b>15.8%</b>	<b>100%</b>
<b>Levy</b>					
Residential	469,313	538,788	69,475	14.8%	42%
CIP	738,307	731,472	-6,835	-0.9%	58%
<b>Total</b>	<b>\$1,207,620</b>	<b>\$1,270,260</b>	<b>\$62,640</b>	<b>5.2%</b>	<b>100%</b>
<b>Tax Rates</b>					
Residential	\$11.12	\$10.99	(\$0.13)	-1.2%	
CIP	\$30.70	\$26.87	(\$3.83)	-12.5%	

Source: Tax Rate Recapitulation sheets for Boston, Mass Department of Revenue



# Bureau Update

December 2006

## City Settles With Five Small Unions

*One-year contracts with a 2% salary increase*

Thinking that legislation might be passed next year that would provide a new health insurance option for cities and towns, the Menino Administration initially proposed to each union's bargaining team a one-year contract with a 2% salary increase and no change in the share employees would pay of their health insurance premiums for the year. Most of the unions rejected this proposal but five small unions did not. For the rest of the unions, the Administration restructured its proposal to tie a 10% salary increase over four years to employees gradually increasing their share of their health insurance premiums by 10% over the same period. Most city employees who have adopted HMO plans pay only 10% of the total premium costs for family or single plans. So far both sides are far apart with continued protracted negotiations expected.

The five small unions represent 140 employees and the additional annual cost of the five contracts is estimated to be \$104,495. In addition to the base wage increase of 2%, each employee will receive a lump sum payment of \$250 in either December 2006 or January 2007, depending on the union. These costs will be funded from the \$4.9M in FY07 state aid in excess of the amount appropriated in the City's approved budget. Employees covered by these contracts include housing inspectors, graphic arts workers and Municipal Police personnel.

The one-year contracts also include a more generous bereavement policy. The number of paid working days leave for bereavement of a member of the immediate family is increased from three (3) to five (5) days for employees with six months of continuous service. Starting in 2008, the employees will receive their salary check through direct deposit. Other minor language changes clarify the probationary period for new employees and provide new worker's compensation notification procedures.

Additionally, salary increases are not retroactive to the start of the new contract – a departure from past practices. Instead the retroactive payments start almost four months into the contract period.

For lengthy negotiations exceeding one year, the practice of making salary increases retroactive to the start of a new contract provides no incentive for union officials to complete negotiations in a timely manner and prevents the City from responding in a reasonable time to changing fiscal conditions. The Research Bureau has recommended changes in state law to provide incentives for the parties to complete negotiations within 12 months of the contract's expiration date.  
Mounting Personnel Costs Threaten Boston's Competitive Edge, Outdated Laws And Practices Restrict Local Response In Challenging Fiscal Times



# Bureau Update

December 2006

## BCEC Land Purchase Complete

*Total price tag is within authorized maximum*

With the settlement of the Casey & Hayes parcel on September 8, 2006, final payment was made on the last of 43 parcels that constitute the land of the Boston Convention and Exhibition Center (BCEC) in South Boston. The total cost of the purchase and preparation of the 60 acres of land for the BCEC came to \$243M. That expense falls within the maximum \$255M authorized for the City and Commonwealth by the BCEC's enabling legislation (Ch. 152, Acts of 1997). The purchase of the 60 acres includes 40 acres for the current BCEC and hotel and about 20 acres behind the convention center that will be used for future expansion.

The pure site acquisition costs totaled \$172.7M which exceeded the sum of the highest appraisals for all parcels by 24%. Over the years, the cost of land acquired through eminent domain by the Boston Redevelopment Authority has averaged approximately 33% over the final appraisal estimate. Relocation and site preparation costs made up the difference.

### BCEC Expenditures

Figures in Millions

Site Acquisition	\$172.7
Relocation and Site Prep.	\$70.3
<b>Total</b>	<b>\$243.0</b>

the Commonwealth to provide additional funding up to \$47.2M for a total of \$205M. Any additional costs would be split evenly between the City and state, up to a maximum of \$25M each for a total authorization of \$255M. Both the City and state paid \$19M beyond the \$205M.

While the City did issue short-term Bond Anticipation Notes (BANs) totaling \$157.8M, it actually sold long-term special obligation bonds totaling \$116.9M, saving millions in interest costs over 25 years. The lower borrowing was made possible by paying off \$40.9M of BANs from other revenue sources that generated greater receipts than initially estimated. For example, the sale of 260 hackney licenses was expected to produce \$23M, but the sale of 235 licenses generated \$36.2M at the time of the bond sale.

### City and State Cost Share

Figures in Millions

City	Bond and Cash Proceeds	\$157.8
	50% of Additional	19.0
	<b>Subtotal</b>	<b>\$176.8</b>
State	Initial Expenditures	\$47.2
	50% of Additional	19.0
	<b>Subtotal</b>	<b>\$66.2</b>
	<b>Total</b>	<b>\$243.0</b>

The funding mechanism for the BCEC land authorized the City to borrow \$157.8M and

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# Bureau Update

December 2006

## The Rest Of The Story

### *Other issues raised in the Mayor's Chamber speech*

The Mayor's recent proposal to sell City Hall and build a new one in South Boston dominated the news media, but other important issues were raised in the Mayor's speech to the Chamber of Commerce that received little attention. These issues include:

- **Local Health Insurance** – The Mayor discussed the skyrocketing costs of employee health insurance and the City's limited ability to control those costs. As reported in the *Research Bureau's* most recent report, the Mayor compared the City's 92% increase in health insurance spending over the past six years with the state's increase of 61%. He noted the difference was primarily due to the fact that the Commonwealth has the ability to make changes in plan design administratively while Boston and other cities and towns must negotiate every aspect of employee health insurance with each of its unions. He requested greater flexibility in managing these costs consistent with the state's authority.  
*Soaring Health Insurance Costs Threaten Boston's Competitive Edge*

- **Municipal Flexibility** - The Mayor talked about the City of Boston being poised to become even greater than it is but having to operate under an outdated structure imposed by Beacon Hill on cities and towns. He talked about the need for greater flexibility to enable municipalities to "respond and adapt to today's economic landscape." He also

called for a better system with the state that allocates more resources to stimulate growth.

- **Community Colleges** – The Mayor challenged the two community colleges in Boston, Roxbury CC and Bunker Hill CC to improve their services to train Boston students for the jobs needed by Boston employers. The Mayor indicated a willingness by the City to help fund sector-specific programs at the two schools tied to skills required for jobs in Boston. On a different front, the Boston Public Schools would like to work with one of the community colleges to establish a grade 13 and grade 14 to better prepare its graduates to be successful at the college level.
- **Business Involvement** – On a few occasions in his speech, the Mayor stressed the importance of the private sector being engaged in the public issues that will sustain growth in the city. He argued that making Boston work better is as beneficial to businesses as it is to residents.

With all the time the Research Bureau staff spends at City Hall, we certainly are aware of the problems of the building and are pleased that the Mayor wants to address them. As the center of the downtown between the Back Bay and Seaport District, Government Center remains the logical area for City Hall because of its location and accessibility.

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# Bureau Update

December 2006

## State Pilot School Option for English High

*Local option an alternative to greater state control*

Boston's English High School and three other underperforming schools in the state may convert into special Commonwealth Pilot Schools rather than be designated as chronically underperforming. The State Board of Education (BOE) postponed a vote to designate the four schools as chronically underperforming at its November meeting, instead allowing them the option to adopt a Pilot School model. This model promotes autonomy while incorporating some of the strict accountability elements required as part of the chronically underperforming designation. To move forward, a school's conversion must be approved by the superintendent and the teacher's union head as well as two-thirds of the school's faculty.

If English High School becomes a Commonwealth Pilot School, it will face a more sweeping process than traditional Boston Pilot Schools. English High School's governing body would not be bound by School Committee mandates or teacher contract rules and would have full autonomy over budget, staffing, curriculum/assessment, governance and schedules. The school would also be required to downsize from the current 1,250 students to under 450 students.

If the English High School staff votes against becoming a Pilot School, the BOE would likely designate it as a chronically underperforming school at its January Board meeting. The Board can designate an underperforming school as chronically underperforming if it has failed to demonstrate

adequate improvement within two years. English High School has been designated as underperforming since 2002. Once a school is designated as chronically underperforming, it is subject to state oversight and the superintendent has the authority to remove the school's principal. The superintendent and principal have greater flexibility in staffing, including the ability to dismiss teachers or other employees without regard to contract seniority provisions.

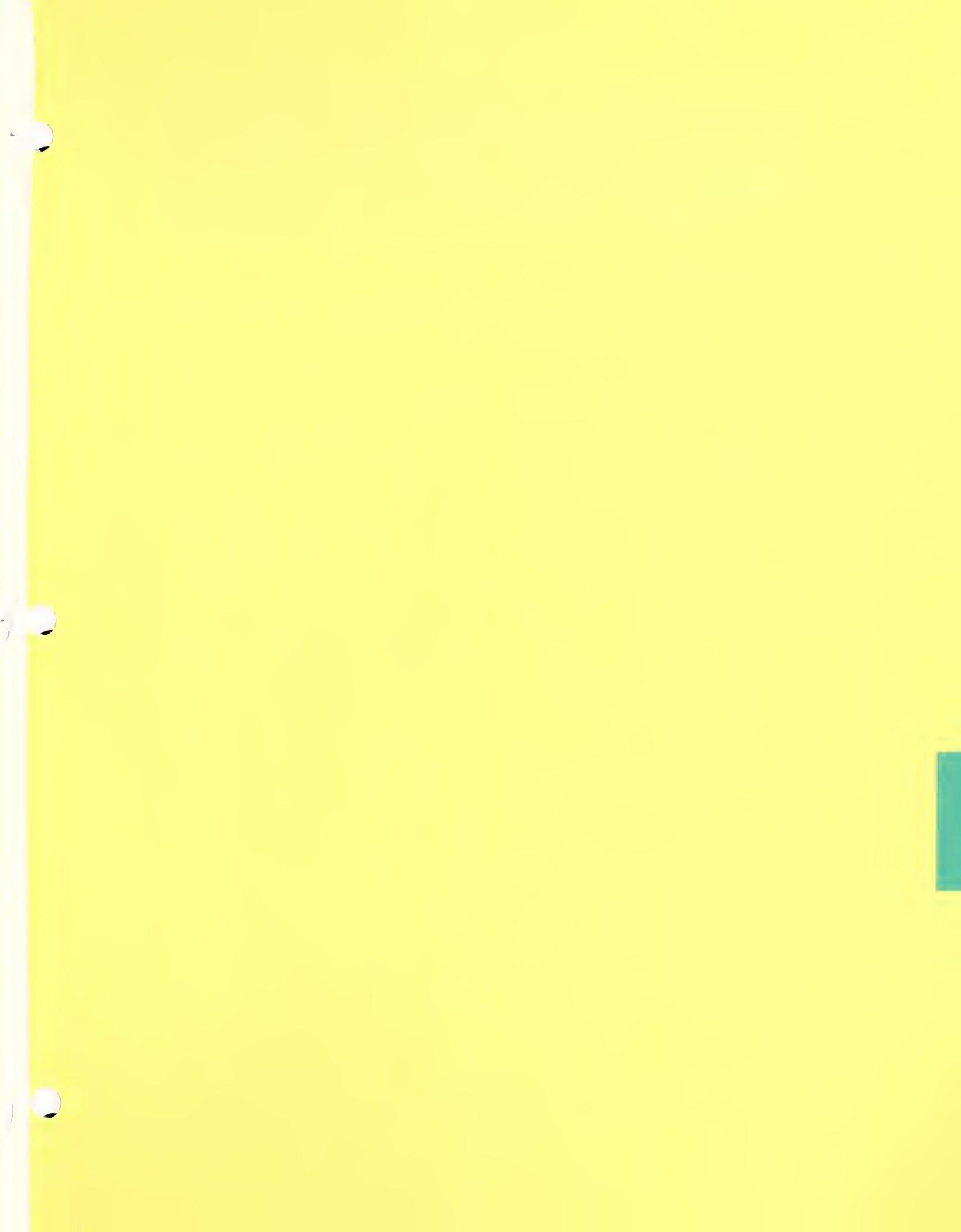
So far, two schools in Fall River and one in Holyoke have been designated as chronically underperforming. However, the state did not restructure any of these schools to the full extent allowed under the law. The BOE has been reticent to exercise full control of chronically underperforming schools, preferring instead to provide support while the local community takes the lead. This position, along with uncertainty about how the court would rule if more stringent BOE action were challenged as conflicting with teacher contract provisions, may explain why the BOE created the Pilot School alternative.

The Boston School System (BPS) believes it needs to move beyond the BOE's position by seeking control over more underperforming schools in its negotiations with the Boston Teachers Union. The BPS wants the Superintendent to have more authority over staffing, curriculum and scheduling in ten turn-around schools.

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# Bureau Update



February/March 2007

## More Changes for City Management Team

*Decisions on three top city positions expected*

Since the beginning of Mayor Menino's fourth term, he has had openings in twelve top level management positions. Nine of these positions have been filled, and now he must act on openings in the three key positions of:

- School Superintendent (with the School Committee)
- Director of the Boston Redevelopment Authority
- Chief Operating Officer

School Superintendent Mike Contompasis will continue as head of the Boston Public Schools until a permanent superintendent can be appointed. The withdrawal of Rochester, New York Superintendent Manuel Rivera, who had previously accepted the position, required the Search Committee to reconvene in February. Despite this delay, the Committee expects to have a new superintendent in place in time for the 2007-2008 school year.

Former Boston Redevelopment Authority Director Mark Maloney left the BRA in January 2007, having served seven years. He recently agreed to chair Boston World Partnerships, an initiative to attract businesses to Boston, announced at the Research Bureau's Annual Meeting. Paul McCann, Executive Assistant to the Director, is again

serving as acting Director of the BRA until the position is filled.

Finally, the Mayor must address the opening of the Chief Operating Officer position next month. Dennis DiMarzio, the City's COO since 1996, is expected to retire in April of this year. He also serves as Chairman of the Boston Water and Sewer Commission.

Most recently, Mayor Menino recommended Barbara Ferrer to replace John Auerbach as Executive Director of the Public Health Commission. Ferrer has been Headmaster of the Parkway Academy of Technology and Health in West Roxbury for the past two years. Previously, she was Deputy Director of the Public Health Commission. John Auerbach, who has been the Executive Director since 1998, was recently tapped by Governor Patrick to head the state Department of Public Health.

In 2006, Mayor Menino filled vacancies in eight top level positions, including Chief of Public Works and Transportation, Police Commissioner, Fire Commissioner, Chief of Staff, Chief Information Officer, Corporation Counsel, Press Secretary, and Director of Intergovernmental Relations. Of these positions, all but the Director of Intergovernmental Relations were filled with external candidates.



# Bureau Update



February/March 2007

## BPS Budget Proposes Slight Growth

*Collective bargaining costs will add to a budget already pressured by employee benefits*

The Boston Public Schools (BPS) FY08 preliminary budget totals \$747.1M, an increase of \$13.2M or 1.7%. Not included are collective bargaining costs that will raise the final budget for both FY07 and FY08. This budget is driven primarily by the increased cost for health insurance which represents 56% of the total budget increase. The budget provides for an increase of approximately 50 positions, primarily teachers and aides.

### Boston Public Schools Budget Figures in Millions

	Budget FY07	Budget FY08	% Increase
Salaries	\$467.7	\$468.5	0.2%
Benefits	105.2	110.4	5.0%
Transportation	62.4	67.1	7.6%
Property Services	46.9	46.2	-1.5%
Purchased Services	39.6	39.6	0.0%
All Others	12.8	15.3	19.8%
Total	\$734.5	\$747.1	1.7%

Employee salaries, excluding raises from collective bargaining, are budgeted to increase by \$0.8M. Salary step increases for teachers not at maximum salary totaled \$8.5M, but were partially offset by retirements, as retirees are replaced with new employees hired at a lower starting salary. Salary increases, when finalized, will add significantly to the amount currently budgeted. The Boston Teachers Union (BTU) contract increases salaries by 14% over 4 years.

Employee benefits add to the pressure on the FY08 budget, with health insurance alone increasing by \$7.0M or 10.4%, while total benefits increased by 5.0%. This continues

the trend of health insurance costs absorbing a greater share of the total budget. In FY08, health insurance accounts for 10.0% of the BPS budget compared to just 6.7% in FY03.

Percentage Increase in Health Insurance vs. All Other Spending



Transportation costs are budgeted at \$67.1M, an increase of \$4.8M or 7.6% over the prior year, primarily due to cost increases for MBTA passes and salary increases for bus drivers.

Policy initiatives to address the achievement gap include:

- Continued K1 expansion, with 23 additional classes opening in FY08
- 8 new Family and Community Engagement Outreach Coordinators
- 12 to 14 more English Language Learner certified teachers

Increased support for teachers comes in the form of funding for the Boston Teacher Residency Program and academic coaching.

Link to the [BPS FY08 proposed budget](#)



# Bureau Update



February/March 2007

## Boston Receives Bond Rating Upgrade

*Standard & Poor's raised its rating to AA+*

The City of Boston's bond rating was raised from AA to AA+ by Standard & Poor's in conjunction with the City's sale of \$100M in General Obligation bonds on March 7. At the same time, the City issued refunding bonds totaling \$85.4M. Boston is ranked at the highest AA rating for both Standard & Poor's (AA+) and Moody's Investors Service (Aa1). These ratings may be the highest possible for the City given the tax limitation effects of Proposition 2½ on fiscal operations, the resources needed for future retiree benefit costs and the fluctuation of state aid. The next grade up for both services is AAA. Fitch Ratings kept its bond rating for Boston at AA. [Boston's bond rating history](#)

The higher rating signifies better credit worthiness and will contribute to lower interest costs on bonds sold. The savings from Boston's AA rating over its previous A rating for bonds sold by the City since 2002 are estimated to be \$16.3M over time (Net PV \$12.8M). For the first time in 2000, all three services rated Boston with some variation of AA. Boston's bond ratings exceed the Commonwealth's ratings from Standard & Poor's (AA) and Moody's (Aa2) and is the same for Fitch Ratings (AA).

The top AA ratings put Boston in an elite group of cities in the country such as Dallas,

Denver, Milwaukee, Minneapolis, Phoenix and Seattle.

Low bidder for the \$100M GO issue was Morgan Stanley at a True Interest Cost (TIC) of 3.96% among the ten firms submitting bids. The Refunding Bonds of \$84.5M were awarded to Goldman Sachs with a TIC of 4.04% from among six firms bidding. The net present value savings of the refunding is \$3.4M, which will be used to reduce debt service expenses for the life of the issue. The City's Financial Advisor is Public Financial Management, Inc. and its Bond Counsel is Edwards Angell Palmer & Dodge.

Standard & Poor's raised its rating on Boston based on the City's continued strong management practices, growing reserves and strong economy. Additional factors include the City's:

- Track record of managing through all economic cycles and its proven ability to make budget adjustments
- Diverse economy which is positioned for future growth
- Manageable debt burden

What the three rating services say about Boston will be discussed in the next *Bureau Update*.



February/March 2007

## Governor's Municipal Partnership Act

*Bill provides a mix of beneficial and questionable measures for Boston*

In light of the limited state aid increases for municipalities in his FY08 recommended budget, Governor Patrick filed his Municipal Partnership Act on February 15<sup>th</sup>. This Act is designed to provide new revenue and efficiency measures directly or enable cities and towns to adopt such measures. Many of these provisions will not provide meaningful savings or revenue until FY09 or later. A few key proposals of this Act are as follows:

- Authorize communities to impose up to a 2% **meals tax** beyond the state's current 5%. A 1% increase would be a possible gain of \$20M for Boston.
- Permit cities and towns to increase the local 4% **hotel/motel tax** by 1% - a possible \$8M gain for Boston.

For both of these taxes, the community would retain 75% of the new revenue, while 25% would finance a new state reserve to compensate municipalities for increased property tax abatements for seniors.

- Eliminate the current exemption in order to tax certain **telecommunication property** – a possible \$14M gain for Boston. Taxation of telecommunication property needs to be viewed in the context of total state and local payments.
- Transfer the assets of any retirement system that has a funded ratio of less than 80% and after 2006 has a rate of return 2.25% less than that of the Pension Reserves Investment Trust (PRIT) fund

over the last 5 years to the PRIT fund for management. How Boston would be affected will depend on its 2006 results. In the five years from 2002-2006, the PRIT investment return was 11.62%. Boston's five-year return from 2001-2005 was 4.96% and its funded ratio as of January 1, 2006 was 64.4%.

- Give municipalities the option to join the **Group Insurance Commission (GIC)**. This is an important first step to help municipalities better control their cost of employee health insurance. However, having to negotiate the conditions for acceptance with an employee committee will mean that few cities and towns will be able to join the GIC starting in FY09.
- Maintain the current maximum **business classification ceiling** at 183% for two more years before it is reduced to 175% in FY10. The original compromise to tax business higher starting in FY04 and reduce the business ceiling to the starting point of 175% in FY08 should be retained.
- Form a commission to consider ways to increase local authority in areas currently requiring a home rule petition. A recent report, *Boston Bound*, from the Rappaport Institute and The Boston Foundation described how significantly more restrictive **Massachusetts home rule** is for Boston compared to six other comparable cities in the country.



# Bureau Update

February/March 2007

## Governor's FY08 State Aid for Boston

*Partnership means only a 2% increase for Boston*

Citing it as a "Foundation for Change" the Governor's FY08 budget recommendation provides a \$12M or 2.1% increase for Boston. The reimbursement for teacher pensions, which does not provide discretionary revenue, represents \$8M or 66% of the increase. According to the Governor's budget, local aid and off budget items statewide are up by 5.5% in FY08. The majority of growth comes in Chapter 70 education funds. The Governor hopes that this budget along with his Municipal Partnership Act filed earlier will help build a new partnership with municipalities, and property tax relief is key to that partnership.

This budget has less local aid relief than the \$22.6M increase in state aid this year. Chapter 70 aid for Boston is proposed to increase by \$3.1M or 1.5% and lottery receipts by less than 1M. On the other side of the ledger, costs for state assessments, primarily for the MBTA and Charter School tuitions, totaled \$129.8M, an increase of \$4.7M, thereby reducing net state aid for the City. This is only the start of the Commonwealth's budget process. What remains now is what changes the Legislature will make.

### City of Boston General Fund State Aid Comparison

State Aid	FY07 Budget	House 1 FY08	Variance	%
Chapter 70	\$210,540,147	\$213,606,647	\$3,066,500	1.5%
Additional Assistance	164,211,152	164,211,152	-	0.0%
Teacher Pensions	85,164,054	93,329,794	8,165,740	9.6%
Lottery	70,589,023	71,585,070	996,047	1.4%
School Construction	13,815,487	15,020,329	1,204,842	8.7%
Charter Tuition Assessment Reimb.	15,034,864	13,690,177	(1,344,687)	-8.9%
Police Career Incentive	9,025,000	9,128,210	103,210	1.1%
Veterans	2,082,956	2,224,617	141,661	6.8%
Racing Taxes	609,000	541,334	(67,666)	-11%
Elderly Abatements	570,272	576,798	6,526	1.1%
Veterans, Blind Abatements	463,894	457,736	(6,158)	-1.3%
State Owned Land	226,372	253,872	27,500	12.1%
<b>Total State Aid</b>	<b>\$572,332,221</b>	<b>\$584,625,736</b>	<b>\$12,293,515</b>	<b>2.1%</b>
Total State Aid Less Teacher Pensions	\$487,168,167	\$491,295,942	\$4,127,775	0.8%
<b>Total Assessments</b>	<b>\$125,046,344</b>	<b>\$129,758,502</b>	<b>\$4,712,158</b>	<b>3.8%</b>



# Bureau Update

April 2007

## City's FY08 Budget Makes its Debut

*Personnel costs continue as a budget driver*

Strengthening neighborhoods and focusing on public safety are the goals for the Mayor's FY08 budget released April 10th. The FY08 operating budget is a growth of 6.2% over FY07. Personnel costs continue to be the driving factor in the City's spending plan.

### *Spending*

Health insurance continues to grow significantly, up by 9.6% for a total of \$270.1M in FY08. Public safety is also getting a boost, with an increase of \$12.7M or 3.1%. Over half of this increase is in the police department where 130 more police officers will be added in FY08. This addition brings the police force to a projected January 2008 level of 2,235, the highest point since FY00.

Education continues to be a priority with a \$34.5 million or 4.5% increase over FY07 for a total budget of \$782.1M. Most of the increase is in the areas of health insurance and collective bargaining. Funds are also being used to continue the BPS plan of closing the achievement gap and phase 2 of the plan to provide full day kindergarten to all 4 year olds.

In FY08 the City is taking an important first step acknowledging the unfunded cost of providing health insurance to retirees by establishing a reserve of \$20M. The State Legislature still needs to authorize municipalities to establish a separate reserve without requiring a formal funding schedule at this time.

### *Revenues*

On the revenue side, the net property tax levy is expected to grow by \$67.6M, making up

50% of the overall general fund revenue growth in FY08. State aid (including teacher pensions) is expected to grow by \$14M or 2.5%, accounting for 10% of the overall revenue growth in FY08. Citing the need to fill in the gap created because spending increases outpace the rate of revenue growth, the City will use \$25M in reserves to support the FY08 budget. Of this, \$20M is for the health insurance reserve fund for retirees.

### FY08 NUTS & BOLTS

\$2.3B	Total Budget
6.2%	Increase Over FY07
56.3%	Property Tax % of Total Rev.
9.6%	Health Insurance Growth
+130	Police Force increase
\$20M	Retiree Benefit Reserve
\$782.1M	School Budget
4.6%	School Increase Over FY07
\$332.9M	External/Grant Budget
\$1.5B	5-year Capital Budget

This budget supports and improves neighborhood assets by:

- Expanding hours at community centers
- Adding street workers
- Improving the streetscape with new trees, lighting improvements, sidewalk repairs, road resurfacing and improved traffic signals.
- Summer jobs expansion
- New programming for families and children under 5



# Bureau Update



April 2007

## BPS FY08 Budget Soars with Salary Increases

*Collective bargaining agreement adds to costs in FY07 and FY08*

A \$782.0M Boston Public School (BPS) budget was recently approved by the Boston School Committee. The approved budget is \$34.9M more than the \$747.1M budget originally proposed, primarily due to the finalization of Boston Teachers Union (BTU) contract negotiations. Including collective bargaining increases, the BPS budget grew by 4.6% from FY07 to FY08.

Provisions in the negotiated contract that impact the FY08 budget include:

- Salary increases of 13% over four years, beginning with a 2% increase retroactive to September 1, 2006 and a 3% increase effective September 1, 2007.
- A \$500 one-time bonus for teachers and paraprofessionals, retroactive to September 1, 2006.
- A \$600 step increase for teachers, except those on step 1, and a \$300 step increase for paraprofessionals, effective February 1, 2008.
- An increased contribution by the BPS to the BTU Health and Welfare Fund, which provides such benefits as dental and eye care.
- Staffing increases for paraprofessionals and nurses.
- A new Peer Assistance program to provide support for teachers having difficulty in the classroom and improve teaching.

The increases retroactive to FY07 require a supplemental appropriation of \$13.0M, raising the FY07 budget total to \$747.5M. In FY08, the new contract provisions add an additional \$21.6M to the budget. An additional \$1.5M was also included in the revised budget to fund costs relating to ten Superintendent Schools, which will have longer school days and more professional development opportunities for teachers.

The BTU contract also provides some savings in the FY08 budget by eliminating one of the more costly employee health insurance plans and by gradually increasing the percentage share of the health insurance premium paid by employees to 15% for HMO plans and 20% for POS plans. Currently, employees pay 10% of HMO premiums and 15% of POS premiums. A first year reduction by 1% translates into a \$1.1M savings in the FY08 budget.

Other changes to the budget include six additional Family and Community Outreach Coordinators as well as a staff member for the Deputy Superintendent for Family and Community Engagement as a response to input from the community during public hearings. The additional \$385.0K for these positions is funded through a reallocation of funds within the existing budget.



# Bureau Update

April 2007

## Measuring Boston's Service Delivery

### *BAR off to good start and expected to evolve*

The City of Boston initiated an enhanced performance measurement system last August that will provide comprehensive information for decision-making and should serve as a catalyst for service improvement. The City's Boston About Results (BAR) program has been improved through the utilization of new technology and revision of the prior performance measurement system.

BAR is a web-based program that monitors the performance of over 50 city departments on departmental accomplishments compared to previously identified goals of the department and Administration. BAR integrates resources with expected outcomes for departmental activities, and therefore is a central device to inform budget discussions among policy and departmental officials.

The core components of BAR are the performance measures, the information on actual results, and the status indicators. The performance measures have been agreed upon between the BAR team (Mayor's Office and Budget Office) and the various departments, in order to establish challenging, achievable, and meaningful service standards. While BAR will not noticeably change the look of the Mayor's FY08 recommended budget, it has the potential of gradually changing how the City Council could evaluate the budget.

Although the BAR initiative should be applauded, further development of the system is necessary if the full benefits of performance measurement are to be realized. Future refinement of the existing system should put

greater emphasis on outcome and efficiency indicators.

For example, some of the current performance measures for the Fire Department are:

- Hours absent per employee
- Incidents responded to
- Percentage of calls responded to within 4 minutes
- Percent of fires in which cause is determined

Comparing these BAR measures with those adopted by cities with well-established performance measurement systems, reveals an opportunity for improvement. Examples of fire department measures employed by benchmark performance systems are:

- Percentage of fires confined to room of origin
- Expenditures per \$100,000 of property protected
- Percentage of citizens surveyed who rated fire prevention program good or excellent
- ISO insurance rating for the likelihood of fire and damage potential

The City has taken a good first step, but BAR should continue to evolve and improve. Support of the Mayor is critical, because pertinent measures have the potential to expose departmental weaknesses. Making BAR results available to the public via the City's website and involving citizens in the evaluation of certain services are primary goals for the future.





April 2007

## Rating Boston in 2007

### *What the rating agencies say about Boston*

Boston's economic outlook is positive reflecting the City's continued economic growth and demonstrated prudent fiscal management. That, in essence, is how the bond rating agencies view Boston and why Standard & Poor's upgraded its rating for Boston from AA to AA+ on March 7th, its highest AA rating.

Boston sold \$100 million in General Obligation Bonds on March 7 at which time the three bond rating agencies of Moody's Investors Service, Standard & Poor's and Fitch Ratings issued rating reports on the City's financial position. For more information about Boston's bond rating increase, click [here](#).

The positive aspects of the City's financial position include:

- Strong management with a demonstrated track record of managing through all economic cycles.
- High annual growth in assessed valuation of property (AV doubled over 7 years).
- Sound financial position with healthy reserve balances.
- Deep and diverse economy well positioned for future growth.
- Manageable debt burden with rapid bond amortization (70% in 10 years).

Current or future constraining factors affecting the City are:

- An environment of slow growth in state aid.
- Effects of Proposition 2½ tax limitation on fiscal operations.
- Rising employee health care costs.
- Substantial resources will likely be needed for future retiree benefit costs.
- Increased unfunded pension liability (64.4% funded).
- Sluggish employment growth.

The combination of strong budgetary controls, conservative revenue estimates and solid growth in property tax revenues has enabled Boston to manage through state aid reductions and the effects of the recession. The undesignated general fund balance on a GAAP basis is extremely strong (21% of FY06 annual expenditures), but the Commonwealth's certification of Free Cash, factoring in encumbrances and earmarked reserves, allows only \$63M legally available for appropriation.

The City benefits from a multifaceted economic base with the core industries of health care, higher education, financial services, technology and tourism. Boston is the 20<sup>th</sup> largest city in the United States and according to the federal Bureau of Economic Analysis, the City provides approximately 18% of the Massachusetts economy.



April 2007

## Preliminary Special Election Results

*A close race with Passoni on top*

On April 17th the preliminary special election was held for the District 2 City Council seat vacated by the late James M. Kelly. The race, which began in late January, attracted many prospective candidates but has now been narrowed to two front runners - Susan Passoni and Bill Linehan.

Passoni, a former investment banker from the South End who ran unsuccessfully against Councilor Kelly in 2005, won Tuesday's preliminary with 1,869 votes, 24.2% of the 7,745 ballots cast. With only 37 fewer votes, Bill Linchan, a 20-year City Hall employee who has been a special assistant to Chief Operating Officer Dennis DiMarzio since 2001, came in second with 23.7% of the total ballots cast.

The turnout for Tuesday's election was fairly typical for a special preliminary election with 17.1% of the 45,311 registered voters casting ballots. Failing to emerge from the preliminaries were five prospective candidates - Edward M. Flynn (22.5%), Robert O'Shea (10.7%), Brian R. Mahoney (7.1%), Mary Cooney (6.8%), and Bob Ferrara (5.0%).

The final election is set for Tuesday, May 15 and promises to be a tight race. However, whoever prevails on May 15th will not be off the campaign trail for long. The regular City Council election is scheduled for November 6th.



# Bureau Update



April 2007

## Department Head Performance Evaluations

### *Salary raises tied to first performance evaluations*

Eight months after new salary ranges had been approved for department heads last May, most department head salaries were increased based on a new performance evaluation system. The Mayor has approved merit raises ranging from 1.3% to 5.3% effective September 30, 2006. In most previous years, the Mayor had approved the same percentage increase for each department head.

Last May, the salary of the Mayor was increased by \$25,000 or 16.7% to \$175,000 and the salaries of the City Councilors by \$12,500 or 16.7% to \$87,500 and became effective six days after approved. The salary ranges for department heads were also increased at the same time but the Mayor waited for completion of the new performance evaluations before approving raises for his management team.

Among the factors utilized in the performance evaluations were the data from the City's Boston About Results (BAR) program. BAR is a performance measurement system that

ties a series of measures to the goals of the department or agency and of the Administration as a whole.

Based on merit, salary increases of 4% to 5% were more the norm but raises below 3% and as low as 1.3% were given. Three department heads received increases of over 7.3% because their former salaries were below the minimum of the new ranges. Five department heads were recently appointed and received no further increases in salary.

On several occasions over the years, the Research Bureau has recommended that the Mayor use performance-based measures to reward excellent performance of members of his top management team and to send a message to those whose work is not up to expected standards. This first year was not as formal a process as would be expected in subsequent years when department heads will have a better sense of how their performance will be evaluated.

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# Bureau Update

May 2007

## Superintendent Schools Worth Watching

### *Superintendent Schools intended to transform underperforming schools*

The new Boston Teachers Union contract ratified in March 2007 authorized the designation of up to 20 Superintendent Schools over the next three years in an effort to transform the system's underperforming schools. The schools are chosen by the Superintendent from schools that are, or are on track to be, designated as Chronically Under Performing by the Commonwealth, or schools that are designated as Restructuring according to No Child Left Behind regulations. Each school will receive approximately \$1.2 million in additional resources as well as autonomy from many union and district regulations to allow them more flexibility in executing school improvement plans.

In the 2007-2008 school year, 10 Superintendent Schools will be established, with an additional five added in each of the following two years. The first ten Superintendent Schools include 7 elementary schools, 1 K-8, 1 middle school, and 1 high school. Click [here](#) for a list of the 10 schools.

Teachers may transfer out of Superintendent Schools before the beginning of the school year, if they so desire. However, up to 15% of the teachers who remain will have the chance to boost their salaries by up to 5% over their base pay by taking on additional responsibilities. Schools may offer salary incentives as well as performance incentives for gains in student achievement.

Administratively, Superintendent Schools will have more flexibility in staffing than other Boston public schools.

- Each school's principal or headmaster will have sole discretion in filling 75% of the school's vacancies.

- A new Joint Labor-Management Committee will be established for each Superintendent School to make staffing recommendations, including voting on staff to be reassigned from the school.

Teachers in Superintendent Schools will receive additional support.

- Teachers will receive an additional 20 hours of professional development each year, for a total of 50 hours.
- Each school will have a full-time literacy coach and math coach on staff.
- Each school will be partnered with one of Boston's five largest universities for additional resources and support.

Superintendent Schools will provide more instructional time and have lower student to teacher ratios than other schools.

- The school day for each Superintendent School will be extended by one hour (180 hours per year).
- The maximum class size for all Superintendent Schools will be 2 fewer than other schools.

Finally, Superintendent Schools will each have a full-time Family and Community Outreach Coordinator to strengthen communication between the schools and families and \$50,000 for additional support services for students' non-academic needs.

While the Superintendent Schools are a step in the right direction, the Superintendent should have autonomy in all staffing decisions in these schools, not just vacancies. In addition, the Superintendent should be authorized to offer differential pay to teachers in such high-demand subjects as math and science.



# Bureau Update

May 2007

## Boston's Growing Hotel Supply

*Room demand and other indicators show an improving market*

Boston's diversified economy and the City's attractiveness as a tourist and convention destination have contributed to the continued growth of hotel rooms and recently improved industry revenue indicators. The building of the Boston Convention and Exhibition Center (BCEC) also contributed to this growth. Since July 1, 1997, 25 new hotels have been built in Boston (5,438 rooms) and five hotels have been expanded (139 rooms) to create 5,577 new rooms according to the Boston Redevelopment Authority. For financing reasons, several of the hotels built are luxury or boutique hotels, leaving a need for more moderately priced hotels to serve the convention business in Boston.

July 1, 1997 is an important benchmark for hotel room growth in Boston since the financing of the BCEC in South Boston was contingent upon 4,800 new rooms being built since that date. Also, Boston's 4% share of the room occupancy excise tax for new rooms opened since July 1, 1997 is used to finance the debt service for the City's share of BCEC capital costs. The Commonwealth finances its share of BCEC development costs with its 5.7% occupancy tax on new hotels and an additional 2.75% is added to the occupancy excise in Boston and Cambridge for both old and new hotels. Boston's total room occupancy excise tax is 12.45% when all three components are included.

Since 2004, nine new hotels were built or created through a reuse of existing buildings for a total of 2,089 new rooms. The two biggest hotels in this group are the ones most

recently opened – the Westin BCEC HQ (793 rooms) and the Intercontinental (424 rooms). The Jurys Boston reuse of the former Boston Police Department Headquarters building on Stuart Street added 220 rooms in 2004 while the Hampton Inn and Suites at Crosstown Center opened 175 rooms also in 2004.

Four new hotels are now under construction and will start operation in 2007 or 2008 with a total of 1,078 rooms. These hotels are:

Hotels Under Construction		
Hotel	Location	Rooms
Liberty Hotel	Charles St. Jail	308
Marriott Renaissance	Massport, Prcl. F	471
Battery Wharf Regent	Battery Wharf	150
Mandarin Oriental	Pru. Center	149
Total		1,078

While Boston's room supply increased from 14,002 rooms in 2000 to 17,020 today, industry revenue indicators declined from the high point of 2000 but registered increases over the past three years based on data compiled by Pinnacle Advisory Group, an independent hospitality industry consultant.

Key Hotel Indicators			
Year	Occupancy Rate %	Avg Daily Rate	Rev.Per Avail. Rm.
2000	78.4%	\$198.00	\$155.33
2003	71.1%	\$155.52	\$110.52
2004	74.5%	\$169.04	\$125.99
2005	75.4%	\$176.73	\$133.24
2006	76.4%	\$196.61	\$150.23



# Bureau Update

May 2007

## Boston Sworn Police Officers Trend Upward

*Class of 82 graduates boosts uniformed ranks*

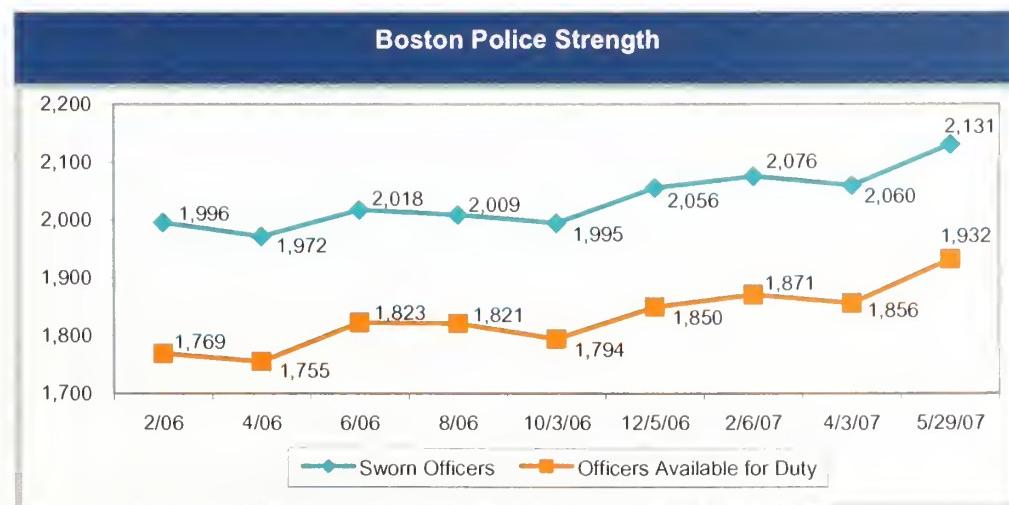
On May 24th, 82 recruits graduated from the Boston Police Academy, raising the ranks of sworn officers to 2,131. This is the highest level of sworn officers since the force totaled 2,138 in January 2003. Sworn officers include all officers who have graduated from the Police Academy and do not include recruits.

This most recent class of officers continues the City's efforts to build up the police force over attrition. In 2006, two classes graduated, adding 118 officers to the force. In January 2007, the police force was further increased by the transfer of 33 Municipal Officers upon the dissolution of the Boston Municipal Police Force. This increase of 151 new officers, prior to the graduation of the most recent class, was partially offset by the attrition of 114 officers from January 2006 through May 31, 2007.

The FY08 budget plans for additional officers. A class of new recruits will begin their training at the Police Academy on June 25 and will graduate in December. A class of officers who

transferred laterally into the Boston Police Department from other Massachusetts police departments will begin at the Police Academy on July 9 and will graduate in August. These two classes combined are expected to yield approximately 130 officers. The City projects that this will bring the sworn force up to 2,235 officers by January 2008, which eclipses the previous high of 2,195 in January 2000.

Despite the rising numbers of police officers, it is important to bear in mind that not all officers on the sworn force are available for duty. At any given time, approximately 10% of the force is unable to serve in the full capacity due to injury, long-term leave, suspension, or light duty. As of May 29th, 9.3% of the force was unavailable for duty, the lowest level yet since the Research Bureau began tracking this data in July 2005. The Police Department's efforts to reduce the time officers are unavailable to work due to injury have contributed to this improvement.





# Bureau Update

May 2007

## Tenant Collective Bargaining Plan Proposed

*City Council ordinance would require negotiations and create penalties*

A housing ordinance has been introduced into the City Council that would authorize tenants to organize and through a collective bargaining process negotiate with landlords over issues not specified but that presumably would involve rents and building conditions. This ordinance attempts to provide tenants' organizations legal standing to negotiate with landlords when no such authority exists.

The ordinance sponsored by At-Large Councilor Sam Yoon is a weaker version of prior drafts but still contains provisions that treat landlords differently depending on where they live and establishes penalties for landlords who do not attend formal meetings. The City will assume administrative responsibility for this ordinance which is likely to require additional resources not now budgeted. The requirements of this ordinance and the vagueness of the language will create uncertainty which does not contribute to an environment that promotes construction of affordable housing units in Boston.

This proposed ordinance affects landlords who live in the City and own a total of 20 or more units in the City or landlords who do not live in the City and own a building with 10 or more units or have a total ownership of 10 or more residential units in Boston. The tenant organizations that are recognized in the ordinance represents at least one adult member from more than 50% of the tenant households in a building or more than 50% of the tenant households residing in each building owned by a landlord.

The City's Rental Housing Resource Center (RHRC) is responsible for convening and supervising each and every formal meeting and administering other provisions of the ordinance as described below.

The ordinance allows the recognized tenant organization (RTO) to request a formal meeting with the landlord in every six month period. Landlords are not required to attend more than one meeting in every six month period. A landlord who attends a meeting is required to stay at the meeting for six hours even if no satisfactory negotiations take place or less than six hours if the City's RHRC adjourns the meeting sooner. The RHRC can schedule additional meetings within the six months of the formal meeting but there is no penalty against the landlord for not attending the follow-up meeting.

If the landlord refuses to attend a formal meeting called by the RHRC, the agency will prepare a letter indicating the failure of the landlord to attend the meeting which will be a factor in city decisions regarding requests for proposals (RFP), sale of public land, building permits or applications for business licenses. However, a landlord who attends a formal meeting but in the estimation of the RHRC "fails to negotiate in good faith" will not receive a letter from the RHRC.

The City Council's Government Operations Committee, chaired by Councilor Robert Consalvo, has scheduled a hearing on this ordinance for Thursday, July 19 at 10:00 A.M. in the Council Chamber.



# Bureau Update

May 2007

## Quinn Bill Reform Under Attack

*Bill would increase costs but not improve police services*

Four years after the state Board of Higher Education approved a strict set of academic guidelines for Quinn Bill benefits, a bill has been proposed that would expand Quinn Bill benefits to any legitimate college degree which would significantly increase state and municipal costs with no improvement in police services. Representative Martin Walsh of Dorchester (13<sup>th</sup> Suffolk) filed a bill (H2784) that would eliminate references to law enforcement or criminal justice degree programs, which would open up eligibility to any degree earned from a college or university in New England since the 1970's. Passage of this bill would be a step back in efforts to ensure that a well-educated police force is serving the public.

The Quinn Bill (Ch.41, s.108L) is a local-option salary benefit offered exclusively to uniformed police officers who earn a law enforcement, criminal justice or law degree. Police officers employed by a participating municipality are granted increases in base pay of:

- 10% for an Associate's Degree or 60 credits towards a Bachelor's Degree
- 20% for a Bachelor's Degree
- 25% for a Master's or Law Degree

This annual salary benefit is split evenly between state and municipality. However, overtime and pension costs that are increased by the higher salaries must be absorbed by the local community. Prior to 2003, no educational standards existed and educational programs most popular with police officers at

"diploma mills" were considered mediocre at best, producing little benefit to the public.

In calendar 2006, Boston's actual Quinn Bill expenses totaled \$18.6 million. Approximately 1,340 police officers receive Quinn Bill benefits or 59% of the total uniformed force. The average Quinn Bill payment for all eligible officers was \$13,887 in 2006.

Quinn Bill costs exceeded \$106 million for all eligible municipalities in fiscal 2007. Paying police officers a fixed percentage above the pay scale of their position over an entire career is an exceptionally generous benefit. Reforms still needed include:

- Replace the Quinn Bill with a new incentive program that progressively ties educational attainment to higher job responsibilities and compensation.
- Until then, change the Quinn Bill benefit to a fixed dollar amount for each degree rather than a percentage.
- Academic degrees eligible for Quinn Bill benefits should be expanded to include other specified disciplines such as sociology, computer science or public administration that can be useful in today's delivery of expanded police services. However, degrees should be earned within the last five years or prospectively to be eligible.
- Officers within five years of retirement should not be eligible for first-time Quinn Bill benefits.



# Bureau Update

May 2007

## Winthrop Square Garage Sale

*Use of proceeds from the garage operation and sale requires a public discussion*

On May 11<sup>th</sup>, Mayor Menino announced his proposal to apply the proceeds from the operation of the Winthrop Square Garage after July 1st to support Boston Housing Authority (BHA) police services for the next two years and later use the proceeds from the sale of the garage to upgrade BHA facilities. Resources would also help fund human service programs in elderly and family housing communities. The Mayor's proposal identifies an important community issue but it can only be considered a proposal until a formal public process is established to evaluate it against other public needs and to determine the best use for the non-recurring garage resources.

**Garage Operations** - Actually, the Winthrop Square Garage project is of two parts. The first part deals with the operation of the garage after June 30<sup>th</sup> when the current garage lease expires. The Mayor has requested the Boston Redevelopment Authority (BRA) to acquire a leasehold interest in the garage in order to issue a request for proposal (RFP) for the continued management of the garage operations until the sale is completed. Proposals are due by June 11. The parking fees will be increased and the additional amounts received will be deposited in an escrow account separate from BRA operations.

If the FY08 federal funding of the BHA budget on October 1 is insufficient, the Mayor has proposed continuing to support BHA police services from the revenues in the escrow account. The Mayor and City Council approved a supplemental appropriation of

\$2.1M in January to fund these police services until October.

**Garage Sale** – The second part is the process for allocating the proceeds from the sale of the garage. The garage is owned by the City of Boston and there are two options the Administration can follow. The more traditional process established by city Charter involves the Off Street Parking Facilities Board and Public Facilities Board in declaring the garage excess, securing City Council approval, selling the garage and placing the proceeds in the Surplus Property Disposition Fund for capital purposes unless the Mayor and Council agree otherwise. That process was used in the sale of the Fort Hill Garage (International Place), St. James Avenue Garage (500 Boylston and 222 Berkeley) and the Kilby Street Garage (75 State Street).

The other option, used more recently for the sale of Hayward Place, is the BRA taking the property by eminent domain and, with the Mayor, determining the allocation of funds. This option involves an expedited public process. Sale of the Kingston-Bedford Street Garage (1 Lincoln) followed a hybrid approach involving parts of both options.

The City has a pending agreement to sell the Winthrop Square Garage to Trans National Properties. The final sale could take a few years which affords time to decide on the sale process and the disposition of the proceeds. A public discussion about how to best utilize the proceeds from the garage operation and sale should be part of that process.



# Bureau Update



November 2007

## Governor Signs Classification Law

*Business classification factor returned to 175% in FY08*

Governor Patrick signed into law a bill that restored the tax classification requirement to its pre-2004 status. This new law will allow the business classification factor to be returned to 175%, the level it had been since 1988. [MORE>](#)

## Five Towns Join Group Insurance Commission

*Communities face many barriers when considering the GIC*

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## BPS Facing Unsustainable Budget Trends

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## City Increases Health and Board of Appeal Fees

12/5/2007



*Existing fees increased 50-100% and new fees established to meet costs*

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## Two New Faces on the City Council

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# Bureau Update

November 2007

## Governor Signs Classification Law

### *Business classification factor returned to 175% in FY08*

Governor Patrick signed into law a bill that restored the tax classification requirement to its pre-2004 status. Chapter 169 of the Acts of 2007 was signed by the Governor on November 16, 2007. This new law will allow the business classification factor to be returned to 175%, the level it had been since 1988.

The new law also eliminated language approved in 2004 that would prevent the residential share of the tax levy from being less than the prior year. This language was a flaw in the 2004 classification law that could have resulted in homeowners paying additional property taxes at a time when residential housing values are stagnant or declining. The law will go into effect for FY08 which means that it will be applied in setting the FY08 tax rates in December.

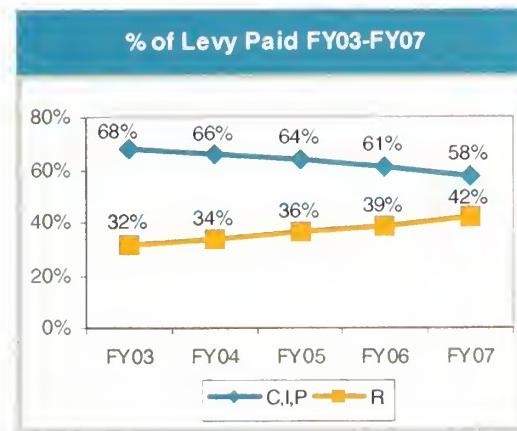
The Massachusetts classification law was amended in 2004 to help mitigate projected significant increases in residential tax bills in Boston and several other communities due to very divergent residential and business value trends. On a temporary basis for those municipalities accepting this act, the business classification factor was increased from 175% to 200% in FY04 with the requirement that it be reduced each year until it returned to 175% in FY08.

While the bill that is now Chapter 169 was in the Legislature, efforts were made to keep the business factor at 183% for two more years or to only reduce the factor to 179% for FY08. The Research Bureau supported the position that the business factor should be returned permanently to 175% as was agreed to by

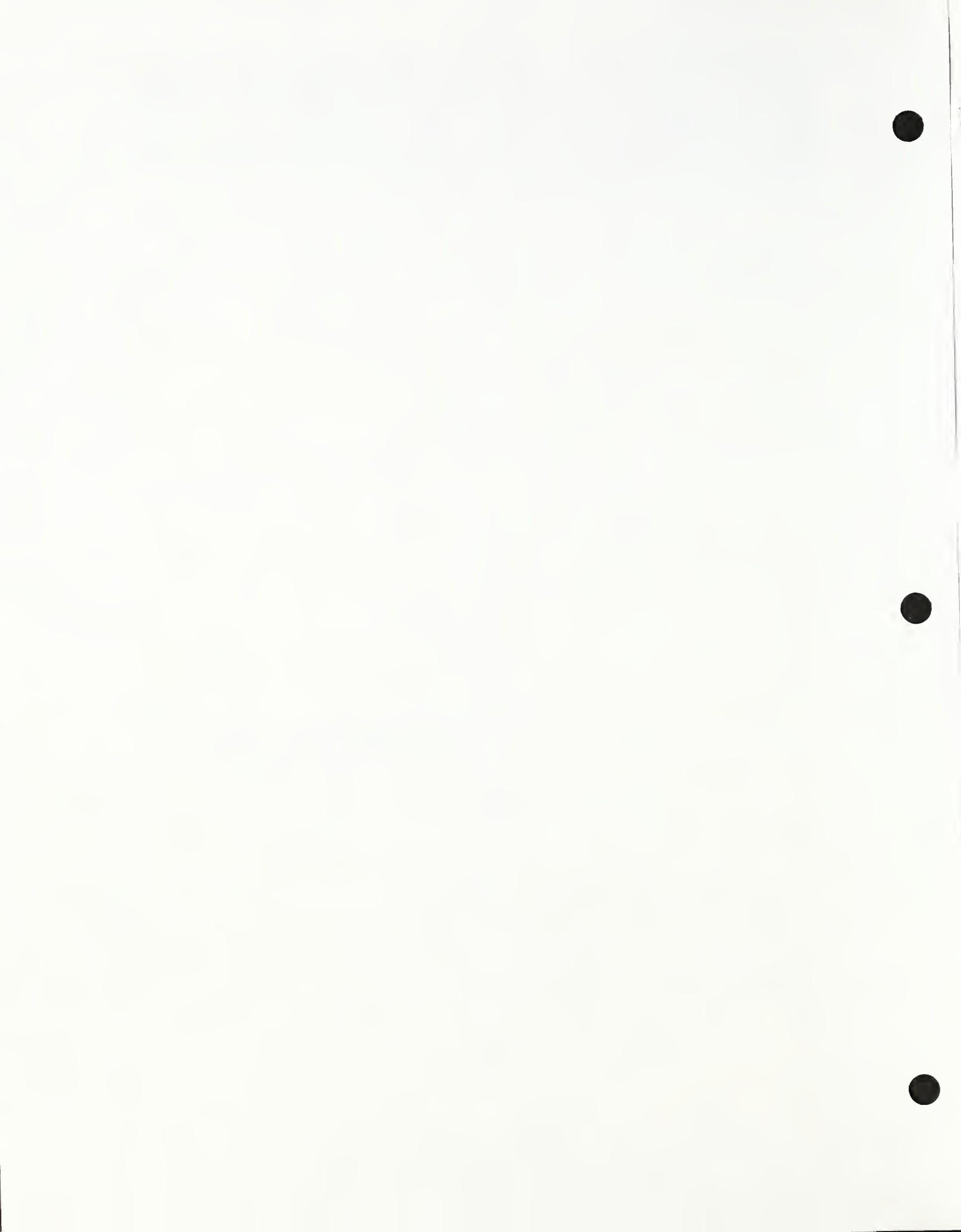
state and local officials and business leaders. That also meant that the business factor would not be reduced to 170% in FY09 for those communities that adopted the 2004 law. That requirement in the final 2004 act differed from the compromise agreement and was inserted in the 2004 bill late in the legislative process.

Applying the same ceiling of 175% for the business classification factor for all communities is a preferred tax policy that had been followed from 1988 up until the temporary change in 2004.

This restoration in 2007 comes at a time when the business share of the tax levy in Boston has decreased from 70% in FY02 to 58% in FY07 as shown by the graph below.



With the Governor's signing of Chapter 169, the state has approved a classification bill requested by Mayor Menino and supported by Speaker DiMasi. This policy should stand with no further efforts made to temporarily modify the classification law.



# Bureau Update

November 2007

## Five Towns Join Group Insurance Commission

*Communities face many barriers when considering the GIC*

The first deadline for municipalities to join the state Group Insurance Commission (GIC) has passed with only five municipalities taking advantage of the new legislation. Four school districts and two planning agencies also joined. Click [here](#) to see a list of those who joined. This limited response comes after the Legislature extended the deadline to October 29 because interested communities were having difficulty meeting the October 1 deadline for entry in FY09. The bill was signed into law on July 25, 2007.

These five towns join the City of Springfield, which has had positive results since joining the GIC in January of 2007 as a result of emergency regulations. In recent years, Springfield's health insurance averaged an increase of 13-15% each year. According to the City of Springfield, joining the GIC halfway through FY07 resulted in a 9% increase that year and a 4% increase is projected for FY08. A joint report by the Research Bureau and the Massachusetts Taxpayers Foundation estimated that all municipalities stand to save \$60.5M or more in FY09 and \$436M or more in FY13 by joining the GIC.

Why have only five towns out of 351 cities and towns joined the GIC? One major reason is the difficulty of negotiating a complicated agreement within a limited time frame. Municipalities must analyze whether joining the GIC is a cost-effective decision, negotiate

the conditions, and receive 70% approval from a public employee committee. Also, municipalities that offer Blue Cross Blue Shield plans may have wanted to see if BCBS would bid on GIC business.

Some have suggested that more municipalities have not joined because the GIC offers more expensive indemnity plans, while a municipality may not and employees could move to these plans. However, the GIC offers only one true indemnity plan, which is used by only about 16% of all active and retired enrollees and their families. Furthermore, the GIC's two other so-called indemnity plans function more like PPO plans, offering both in-network and out-of-network options for a comparable cost to managed care plans.

Perhaps one of the greatest barriers to municipalities joining the GIC is the complexity in attaining an accurate estimate of the financial impact on each city or town. Moreover, municipal health insurance brokers, consultants, and others with a stake in the matter have a vested interest in keeping communities out of the GIC. As presently structured and in the face of these barriers, the new law will not provide meaningful near-term property tax relief to most municipalities at a time when the growth of health insurance costs continues to be unsustainable.



# Bureau Update

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November 2007

## BPS Facing Unsustainable Budget Trends

*Lower enrollment levels affect funding sources while staffing continues to rise*

Declining enrollment in the Boston Public School (BPS) system is translating into fewer federal Title 1 and state Chapter 70 dollars flowing into the schools. According to a recent analysis by the BPS, the trend of these declining revenue sources combined with increasing employee numbers is unsustainable.

Student enrollment in the BPS over the past five years declined by nearly 10% due to demographic changes in the population and competition from charter schools. In practical terms, fewer students mean less funding from sources such as Title 1 and Chapter 70 school aid. Title 1 is the primary funding source for federal No Child Left Behind obligations and is based on the number of students who receive free or subsidized lunch. Since 2003, Title 1 funding has declined by 7%, primarily due to lower enrollment in the BPS and growth in the number of eligible students in other areas of the country.

The BPS portion of state Chapter 70 funding has also declined in recent years. Each year, the City receives Chapter 70 aid and charter school tuition and facility reimbursements from the state and it must pay an assessment for Boston students attending charter schools. Chapter 70 aid plus charter school reimbursements net of the assessment is considered the BPS's share. Enrollment is an important factor in the Chapter 70 distribution and since 2003 BPS enrollment has decreased by 10% while charter school enrollment has increased by almost 50%. As a result, the BPS share in FY08 is expected to

be less than its 2003 level. Even so, school operating spending has increased by 20% during this period.

### Boston Ch. 70 Aid Net Charter Schools

	Figures in millions			
	2003	2006	2007	2008
Boston Ch. 70 Aid	\$205.6	\$203.6	\$210.5	\$215.8
Charter Tuition Reimb.	-	\$3.2	\$15.0	\$10.0
Charter Facility Reimb.	-	\$5.1	-	\$4.2
Total	\$205.6	\$212.0	\$225.6	\$230.1
Charter School Asses.	\$32.1	\$43.9	\$53.7	\$58.2
Ch. 70 net Charter Schools	\$173.5	\$168.1	\$171.9	\$171.8
BPS Operating Budget	\$650.6	\$717.8	\$747.5	\$782.5

Despite the implications of declining enrollment, personnel levels are rising, largely due to employee contracts and decisions regarding multi-year policy initiatives, such as:

- More K1 Kindergarten classes and early education centers
- Class size reductions and smaller schools
- New positions, including Family and Community Outreach Coordinators and New Teacher Developers

Click [here](#) to see a BPS enrollment and staffing comparison.

BPS leadership must take this situation into account when considering any new policy decisions in preparation for the FY09 budget. Also, expenses associated with the recently negotiated employee contracts and the continuing rise in the cost of employee benefits will require even more scrutiny of school spending and a continued search for program efficiencies.



# Bureau Update



November 2007

## Paid Detail is Also a Municipal Issue

*Boston police officers earned \$33.5 million for paid details in 2006*

Recently both Governor Patrick and the Transportation Finance Commission have recommended a rethinking of the use of paid detail for State Police officers as a means of reducing the cost of construction or maintenance of state transportation infrastructure. The same reconsideration should be made for municipal paid detail as well. At the local level, paid detail for police officers is less a matter of reducing costs for cities and towns than it is reducing unnecessary costs for companies doing business in the municipalities. These costs are generally transferred to the citizens and taxpayers of the communities, for example, in the form of higher utility bills.

The Bureau believes that Boston's ordinance should be revised to allow civilian flag persons or digital signs to be used at construction sites or for street work at the discretion of the Police Commissioner.

Boston police officers earned \$33.5 million in paid detail in calendar 2006. The requirement for use of police officers for paid detail stems from a city ordinance and conditions set for liquor and entertainment licenses. For street work, the Police Commissioner is authorized to determine the number of officers required for a site but at least one officer must be present.

For street and construction work on major roads and details at Fenway Park and TD Bank North Garden, the hourly paid detail fee ranges from \$40.70 an hour for a patrol

officer and increases by rank to \$56.10 for a Captain. Secondary street work and indoor details have a slightly lower pay rate ranging from \$36.30 to \$51.70. An officer earns a minimum of four hours for each detail.

The Boston Police Department (BPD) is able to charge the firm or individual required to use a paid detail the cost of the detail and a 10% administrative fee to cover the Department's cost of managing the paid detail operation. By agreement with the four police unions, the BPD pays officers their detail earnings within 14 days irrespective of whether the detail cost and administrative fee have been paid. Various situations occurring each year involving payment or added administrative costs have resulted in the BPD absorbing paid detail costs beyond the administrative fees collected. For example, the Commonwealth pays no administrative fees for work on city streets under its jurisdiction.

Paid detail has become an important part of a police officer's total earnings along with base pay and overtime, which is why efforts to reform the process have not been successful to date. In 2006, the average patrol officer earned \$102,314, of which paid detail contributed \$17,624 or 17.2% of the total. The five patrol officers with the highest total earnings in 2006 were paid between \$80,151 and \$91,686 in paid detail alone. To read more about city employee earnings in 2006, [click here](#).

1. The first step in the process of determining the best way to  
achieve a particular goal is to define the goal.

2. Once the goal has been defined, the next step is to identify the  
resources available to achieve the goal.

3. After identifying the resources, the next step is to determine the  
best way to use those resources to achieve the goal.

4. Finally, once the best way to achieve the goal has been determined,  
the final step is to implement the plan.

5. It is important to remember that this process is iterative, and may  
need to be repeated several times to reach the desired outcome.

6. Additionally, it is important to keep in mind that the best way to  
achieve a goal may change over time as new information becomes available.

7. Finally, it is important to remember that the best way to achieve a  
goal is not always the easiest way, but it is the most effective way.

8. In conclusion, the best way to achieve a goal is to define the goal,  
identify the resources available, determine the best way to use those  
resources, and then implement the plan.

9. By following this process, you can ensure that you are taking the  
most effective steps to achieve your goals.

10. Additionally, by keeping in mind the iterative nature of this process,  
you can make sure that you are constantly improving your approach to  
achieving your goals.

11. Finally, by remembering that the best way to achieve a goal is not  
always the easiest way, you can ensure that you are taking the most  
effective steps to achieve your goals.

12. In conclusion, the best way to achieve a goal is to define the goal,  
identify the resources available, determine the best way to use those  
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# Bureau Update



November 2007

## City Increases Health and Board of Appeal Fees

*Existing fees increased 50-100% and new fees established to meet costs*

On October 31<sup>st</sup>, the City Council approved a recommendation from the Inspectional Services Department (ISD) to increase nine health fees, create five new fees for services and applications and increase the fee to appeal an action of the Zoning Board of Appeal. The fee changes are intended to pay a more reasonable share of the cost of services currently provided. Some of the fees have not been changed since 1981, while some services are currently provided with no fees being charged. The fee changes will go into effect on January 1, 2008.

**Health Division Fee Increases** – The nine existing health inspection fees that were increased were outdated and did not cover the administrative and inspection costs to process and monitor the services affected. After a review of health fee schedules in other municipalities, fees were increased anywhere from \$10 to \$100. The increased permit fees are for retail bakery, day care, eating and drinking establishments, retail food establishments, frozen desserts manufacturing, sale of frozen desserts, delivery and sale of milk, temporary food servers and massage practitioners. The Health Division increase fees and new fees are expected to generate an additional \$483,000 in FY08.

**New Fee Increases** – Five new health fees were approved for services or permits for

which no fee was previously charged. The new fees are shown below.

### New ISD Health Division Fees

Fee Category	City Service	Fee
Massage Estab.	License & inspect.	\$100
Renovation	Plan review & inspect.	\$75
Compliance	Violation reinspect.	\$100
Variance	Sanitary code inspect.	\$75
Replacement	Permit replacement	\$10

**Board of Appeal Fee Increase** – The entry fee to appeal a refusal, decision or order of the Zoning Board of Appeal will increase from \$100 to \$150. The additional revenue, estimated to generate \$50,000, will be used to hire three legal interns to write the Board decisions which will provide an improved and more consistent record. Previously, the Board required the filer of a successful appeal to write the decision within 30 days of its decision. In many cases, lawyers were hired to write the decision but filers also wrote the decisions themselves. That process often resulted in delays in the filing of decisions and periodic challenges to the accuracy of submitted decisions. Legal interns, supervised by the City's Corporation Counsel, will prepare a more uniform opinion that can be reviewed by the filers. The new process should minimize delays by reducing the number of extension requests and challenges.



# Bureau Update

November 2007

## Two New Faces on the City Council

*The November 6th voter turnout was the lowest in over 50 years*

Based on the results of the November 6th City election, there will be two new faces on the Boston City Council. John R. Connolly won a Council At-Large seat, topping incumbent Felix D. Arroyo. In the District 9 race, Mark S. Ciommo will take the seat being vacated by Councilor Jerry McDermott.

At-Large Election Results		
At-Large Candidate	Votes	Percent
Michael F. Flaherty	25,836	21%
Steven J. Murphy	23,659	19%
Sam Yoon	23,230	18%
John R. Connolly	21,997	18%
Felix D. Arroyo	18,579	15%

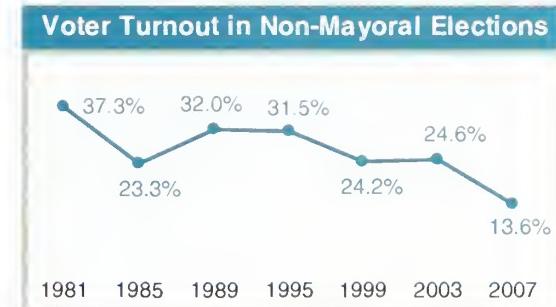
District Election Results		
District Candidate	Votes	Percent
Maureen E. Feeney (3)	4,361	83%
Charles C. Yancey (4)	2,559	89%
Chuck Turner (7)	3,258	81%
Mark S. Ciommo (9)*	2,838	60%

\*No incumbent running

Michael F. Flaherty again received the most votes, finishing first by a higher-than-average margin in 5 Wards, many of which had higher voter turnout. This election established Councilor Sam Yoon as the top minority vote-getter in Boston. Yoon finished first in 9 of the 22 Wards - up from 2 first place finishes in 2005. The votes for the top four At-Large candidates were tight as evidenced

by the 429 votes that separated second place finisher Steve Murphy from third place finisher Yoon.

This election is noteworthy for its low voter-turnout. Only 13.6% of registered voters cast a ballot, the lowest percentage in over 50 years. Though turnout is always lower in non-mayoral election years, the absence of a city-wide preliminary election, limited press coverage, the success of the Red Sox, and inclement weather contributed to the low participation. It is safe to assume that the City Council will not attempt to forgo the preliminary election in the future.



Incumbent Councilors Maureen Feeney (District 3), Charles Yancey (District 4), and Chuck Turner (District 7) easily won their District races. Each received over 80% of the votes cast. The remaining five incumbent District Councilors ran unopposed.



# Bureau Update



September/October 2007

## City Council Races Set for November Election

*Voter turnout is important in non-Mayoral election.*

The November 6th city election, which will decide who will serve on the City Council for the next two years, is only days away. Nine candidates are running for the four At-Large Council seats and only four of the nine District races are competitive, leaving five District Councilors with no challenger.

In the last non-Mayoral City Council election in 2003, only 25% of those registered actually voted. Today, 262,949 residents are registered as active voters.

Running for the four **At-Large** seats are the four City Council incumbents:

Felix D. Arroyo  
Michael F. Flaherty  
Stephen J. Murphy  
Sam H. Yoon

The five challengers are:

John R. Connolly  
William P. Estrada  
Matthew Geary  
Martin J. Hogan  
David James Wyatt

Of these five, John Connolly is the only candidate who ran in the 2005 November General Election, finishing fifth.

In the **District** races, Councilors facing competition include:

District 3 Maureen E. Feeney  
District 4 Charles C. Yancey  
District 7 Chuck Turner

Councilor Jerry McDermott will not seek reelection to his District 9 seat.

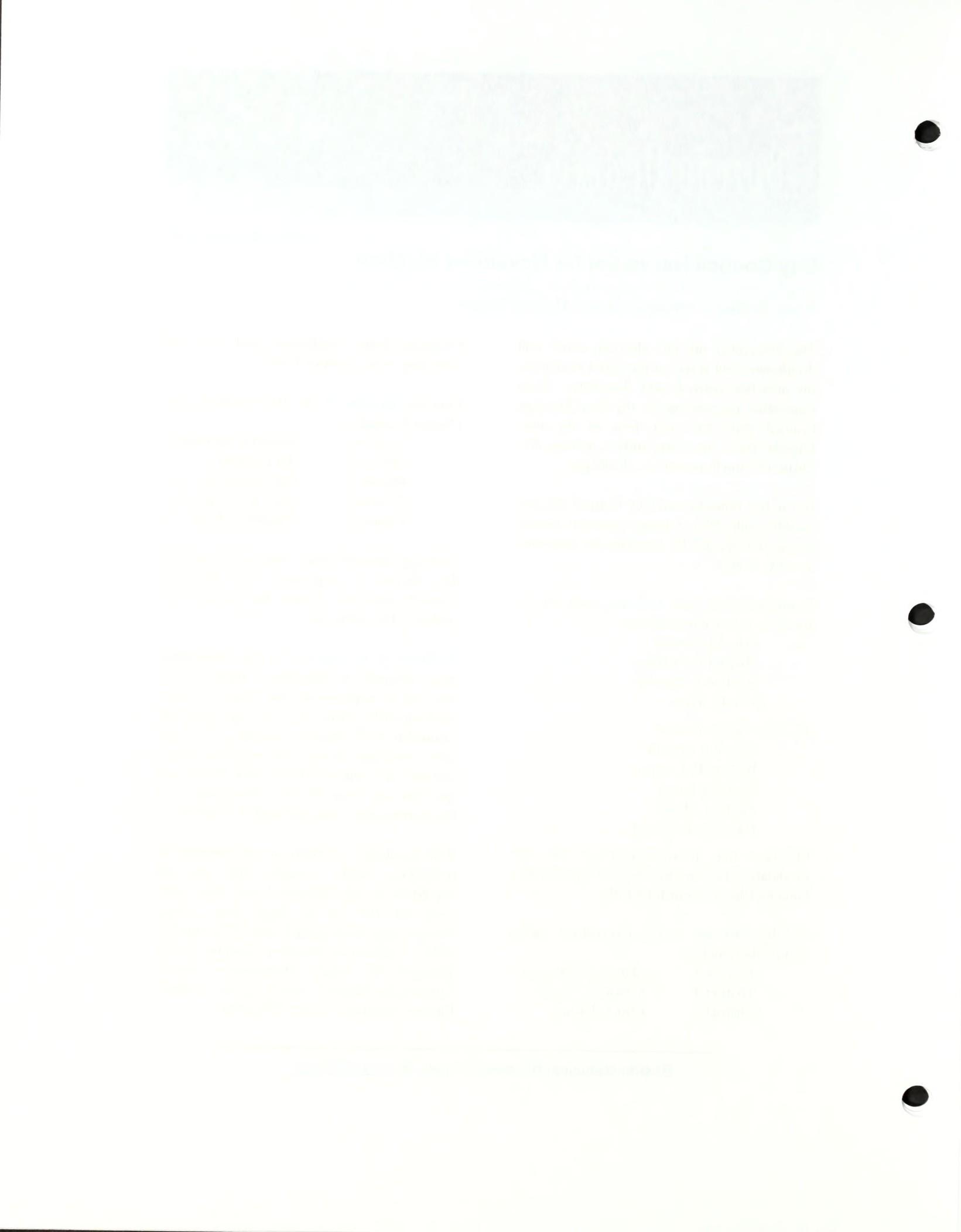
Running **unopposed** are the remaining five District Councilors:

District 1	Salvatore LaMatta
District 2	Bill Linehan
District 5	Rob Consalvo
District 6	John M. Tobin, Jr.
District 8	Michael P. Ross

A strong turnout by the voters of Boston for this election is important since the City Council addresses issues that impact the quality of life in the city.

**Preliminary Election** - In the preliminary races, incumbent Councilor Chuck Turner won big as expected in the District 7 race, receiving 76% of the vote. First elected to the Council in 1999, Turner received 1,476 of the 1,944 votes cast. Runner-up Carlos Henriquez received 317 votes or 16% to take the second spot for the final election. Henriquez is a Roxbury resident active in local civic affairs.

With Councilor McDermott not running for reelection, Mark Ciommo led the six candidates in the District 9 race with 1,406 votes or 31% of the total vote. Greg Glennon was close behind with 1,250 votes or 28%. Ciommo is Executive Director of the Veronica B. Smith Multi-Service Senior Center and Glennon serves as an Assistant District Attorney for Suffolk County.



# Bureau Update



September/October 2007

## New Superintendent Reveals Her Opening Strategy

*Superintendent Johnson releases an initial entry plan to guide her first 100 days*

Superintendent Carol Johnson plans to use the time from August to mid-January to familiarize herself with key stakeholders and examine the barriers and opportunities for academic success in the BPS. On September 26, the Superintendent revealed an initial entry plan that outlines goals for her introductory phase, discusses the process for accomplishing those goals, and presents a timeline for what she plans to achieve in her first year. Key ingredients in the entry plan are significant community involvement and the development of a transition strategy that includes those who are traditionally under-represented.

The Superintendent has identified five goals for her initial months, which include:

- Developing a working partnership with the School Committee and city leaders
- Developing a transition strategy
- Becoming familiar with BPS academics and operations and the issues that act as barriers to success
- Developing a strategic plan to improve academic performance, increase graduation rates, and close the achievement gap

- Improving the flow of information and keeping the community informed of progress

Dr. Johnson will gather information from interviews, feedback sessions, school visits, and a review of documents, reports, and data. Stakeholders to be consulted through interviews and feedback sessions will include leaders from businesses, unions, higher education institutions, community groups, and city and state agencies.

The Superintendent has established a timeline for her first year as follows:

- August to October – Events, meetings, and school visits
- November to December – Develop strategic plan and organizational structure
- January – Receive feedback from School Committee on plan and develop budget implications
- February to March – Communicate with stakeholders
- April to June – Create an implementation plan for the strategic direction



# Bureau Update

September/October 2007

## Boston Ends Fiscal 2007 With A Surplus

*Revenues come in \$39M over budget, but spending exceeds plan by \$24M*

The City of Boston ended FY07 with a \$15.2M General Fund surplus. Driving this surplus were revenues that exceeded budget estimates by \$39.3M. The extra revenue covered actual spending that was \$24.0M over budget. The surplus represents 0.7% of total city spending. This surplus will become part of the free cash calculation for future use.

FY07 General Fund Financial Summary			
Figures in millions			
	Budget	Actual	Change
Revenues	\$2,162.9	\$2,202.2	\$39.3
Expenditures	\$2,162.9	\$2,187.0	\$24.0
<b>Surplus</b>		<b>\$15.2</b>	

### Spending

In FY07, city spending of \$2.187B exceeded the budget by \$24.0M. The Fire and Police Departments accounted for over 87% of the excess spending. The Fire Department spent \$8.4M over budget, with 80% of that due to overtime costs, in good part due to sick and injured leave. The Police Department exceeded its overtime budget by \$17.8M which accounted for the Department's deficit of \$12.7M. The ability to balance good management of overtime with legitimate staffing needs continues to challenge the City.

### Income

Revenues totaled \$2.202B in FY07, \$39.3M more than budgeted. Almost 90% of this

revenue surplus came from four sources: (1) Investment income, (2) PILOTS, (3) Teacher Pensions and (4) Building Permits. Once again, these surpluses combined with other growth areas allowed the City to forego using at least \$18.5M in budgeted revenues. This includes \$9.0M in parking meter money, \$5.3M in surplus property funds and \$4.2M in available fund balance revenues that the City originally intended to use. Fund balance revenue (free cash) is treated as a non-recurring source and reducing its use for operating expenses is prudent.

### Select Revenue Account Surplus

Figures in millions

	Budget	Actual	Surplus
Investment Income	\$32.8	\$43.5	\$10.7
PILOTS	47.6	56.1	8.6
Teacher Pension	85.2	93.3	8.2
Building Permits	20.6	27.9	7.2
Medicaid Reimb.	12.3	18.4	6.1
Jet Fuel Excise	18.5	24.3	5.8

### Select Spending Account Deficits

Figures in millions

	Budget	Actual	Deficit
Police	\$256.0	\$268.7	(\$12.7)
Fire	\$153.8	\$162.2	(\$8.4)
Court Settlements	\$3.5	\$7.1	(\$3.6)



# Bureau Update

September/October 2007

## Mayor Appoints Fire Review Panel

*Implementation and factors that impede reform are part of third study*

Mayor Menino appointed a three-member panel on October 10, 2007 to review the policies and procedures of the Boston Fire Department. This marks the third time since 1994 that the Mayor requested an assessment of the Fire Department. An analysis of what factors impeded the implementation of key recommendations of the prior two studies is an important aspect of this year's review.

The Mayor's charge to the Review Panel is of three equally important issues. They are:

- Departmental supervision and accountability
- Personnel and Human Services
- Substance Abuse and Impairment

**Drug Testing** - One expected recommendation from the Review Panel is that the firefighters should be subject to mandatory random drug testing as Boston's police officers have been since 1999. Drug testing for firefighters was a recommendation of the O'Toole Commission in 2000. However, can mandatory drug testing be achieved in current negotiations with the International Association of Firefighters, Local 718? The City's new health insurance agreement and changes in firefighter sick leave practices also should be in the contract.

After protracted and unproductive negotiations over 16 months with Local 718, city officials requested that the Joint Labor Management Commission take jurisdiction and bring the case to binding arbitration. The JLMC has yet to act on this request, but there

is no guarantee that drug testing would be included as part of a decision by the JLMC.

Both parties could negotiate over drug testing outside of the arbitration process but at what price? The new contract should be negotiated within the 14% compensation increase agreed to by the police this year. The police accepted enhanced drug testing in this contract.

The broader issue is why is it not in the best interest of the state to require by legislation that all state and local uniformed public safety personnel undergo mandatory random drug testing and exempt drug testing from collective bargaining?

**Review Panel** - The three members have begun meeting and will present a preliminary report by December 1. They are:

- Sheila Chapman, M.D., Associate Professor of Medicine at Boston University and a specialist in substance abuse and addition medicine.
- James Shannon is President of the National Fire Protection Association. He is a former Congressman and Attorney General of Massachusetts.
- Craig Coy is President and Chief Operating Officer of L-3 Homeland Security Group. He is the former Director of Massport.

For more information about the Bureau's view of the Fire Review Panel, [click here](#).

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# Bureau Update



September/October 2007

## Tax Initiative Petitions Certified by AG

*If approved, initiatives would affect MVE, property tax and personal income tax*

Five initiative petitions, that together would eliminate the motor vehicle excise tax and state personal income tax and reduce the property tax levy, met the first step of the Constitutional process for citizens to initiate legislation and were certified by Attorney General Martha Coakley on September 5. The signatures of only 10 voters are needed to start this process.

These proposed changes in tax law will affect principal sources of state and local government revenue in Massachusetts and are not practical given their utilization for basic public services.

The five initiative petitions overlap or offer alternate versions affecting one or more of these three taxes, but in general would:

- Eliminate the motor vehicle excise tax paid to cities and towns starting in FY09
- Reduce the property tax increase on existing property from 2.5% to 1.0% effective in FY10
- Eliminate the state personal income tax effective in FY10

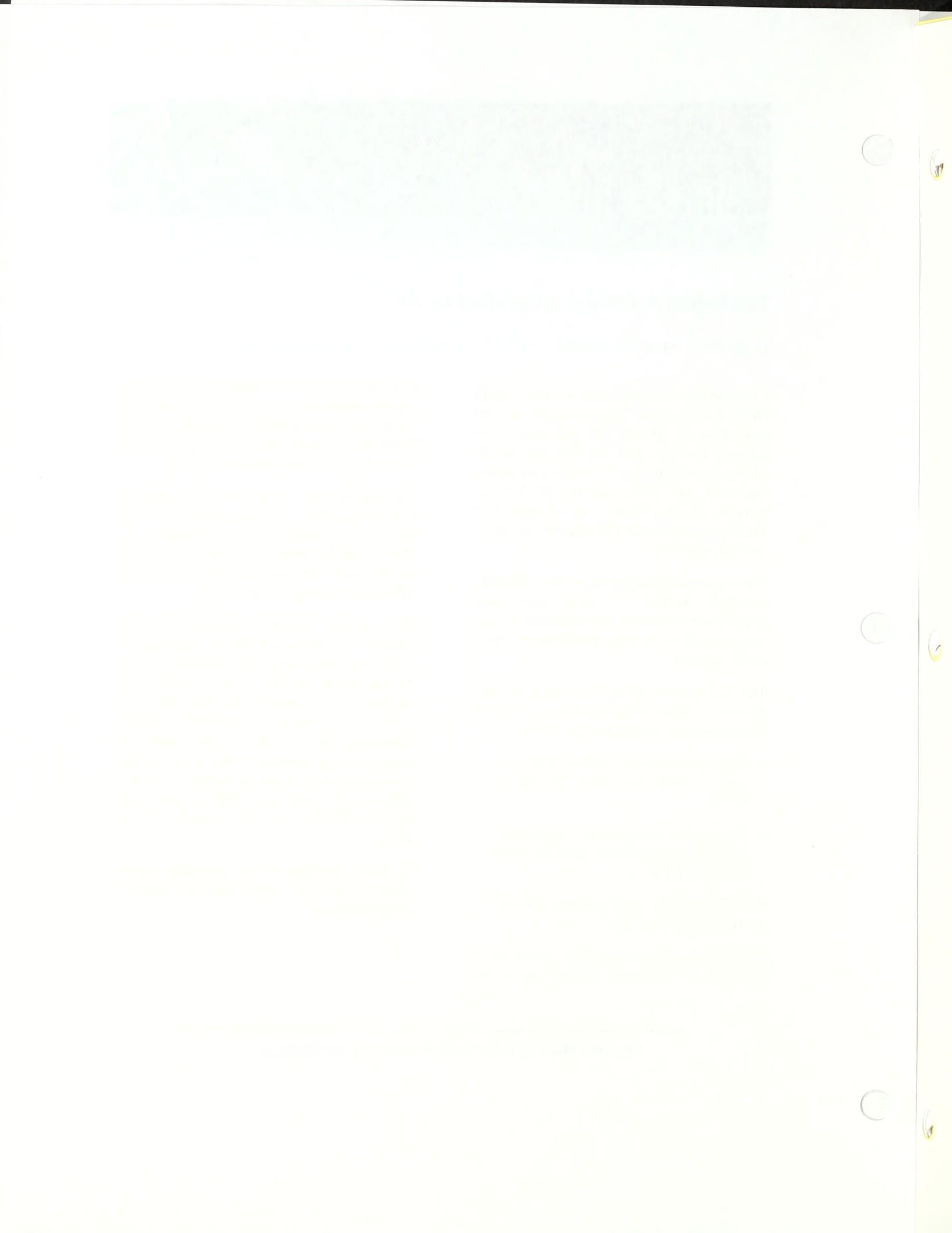
For Boston, the motor vehicle excise tax is expected to generate \$40.0M in FY08.

Reducing the 2.5% increase of the tax on existing taxable property to 1.0% would have cut Boston's estimated FY08 property tax levy by \$19.1M. Boston relies on the property tax for 56.2% of its total operating revenue.

The state personal income tax was budgeted at \$11.4B in FY07 and represented 57.8% of the Commonwealth's total tax revenues. In 2002, a similar initiative petition was placed on the ballot and was narrowly defeated by 55% of those voting on Question 1.

The next step for the proponents of these petitions is to gather and file the signatures of 66,593 registered voters by December 5, 2007. The Legislature has the option to approve or disapprove an initiative petition, take no action or propose a substitute before Wednesday, May 7, 2008. If the Legislature takes no action to approve the initiative, the proponents must secure an additional 11,099 signatures by early July 2008 to place the initiative petition on the November 2008 ballot.

To read summaries of the proposed ballot questions and learn more about the initiative petition process [click here](#).





# Bureau Update

September/October 2007

## School Committee Search

*The terms of two members will expire on December 31, 2007*

The terms of two veteran members of the Boston School Committee will expire at the end of this year and the Boston School Committee Nominating Panel is accepting applications for Boston residents interested in serving on the Committee for a four-year term. The two members whose terms will expire are Angel Amy Moreno and Marchelle Raynor. Both members have submitted their applications for another term. The application deadline is 12:00 noon on Friday, November 9, 2007.

Interested candidates wishing to apply:

- call 617-961-3434
- download an application from  
<http://www.cityofboston.gov/bps/pdfs/schoolcommitteeapp.pdf>
- email [Nancy.Lo@cityofboston.gov](mailto:Nancy.Lo@cityofboston.gov)

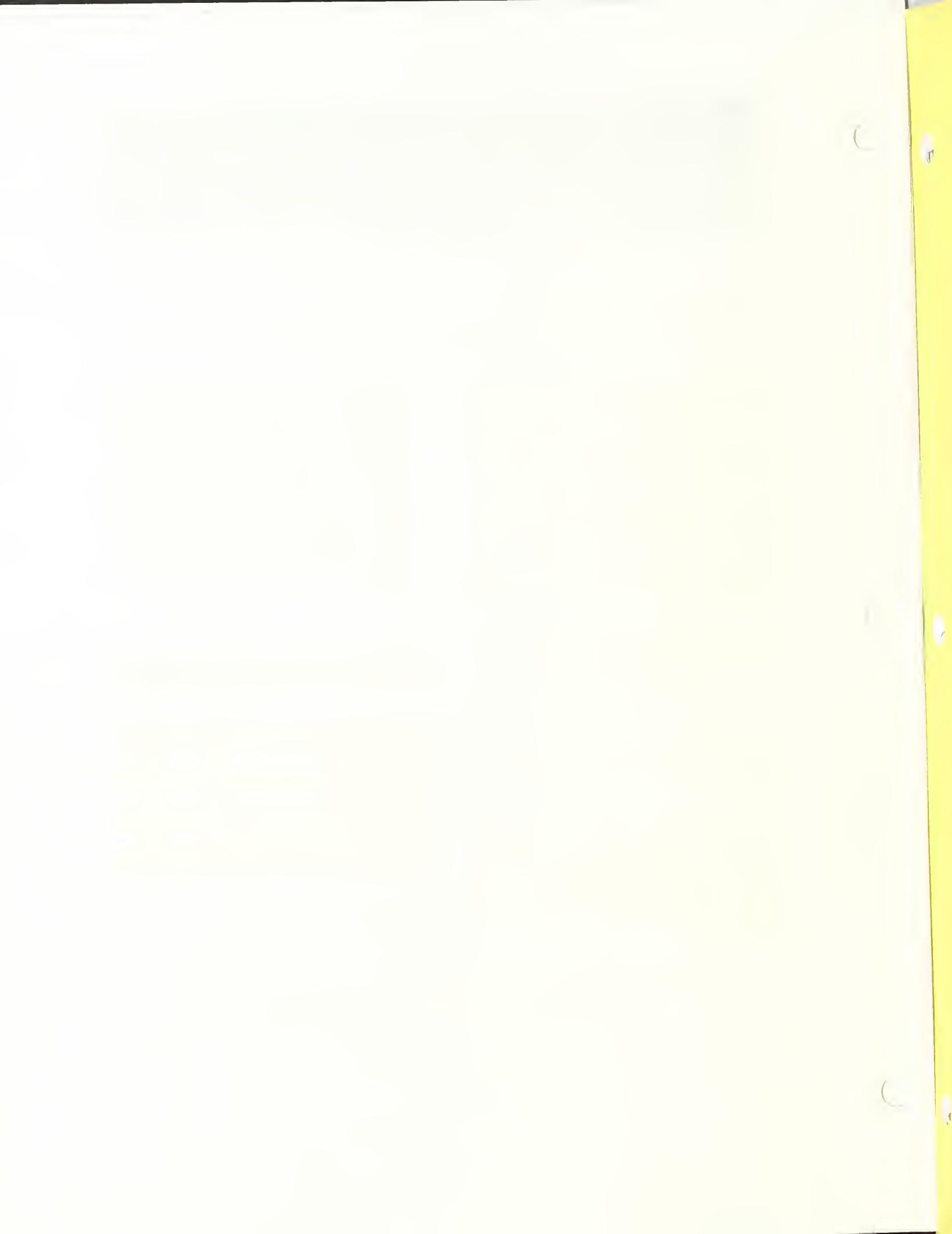
Applicants must be residents of the City of Boston.

The Mayor will appoint the School Committee members from a list of candidates presented by the Nominating Panel. The Panel is composed of individuals representing parents, teachers, principals, business and higher education.

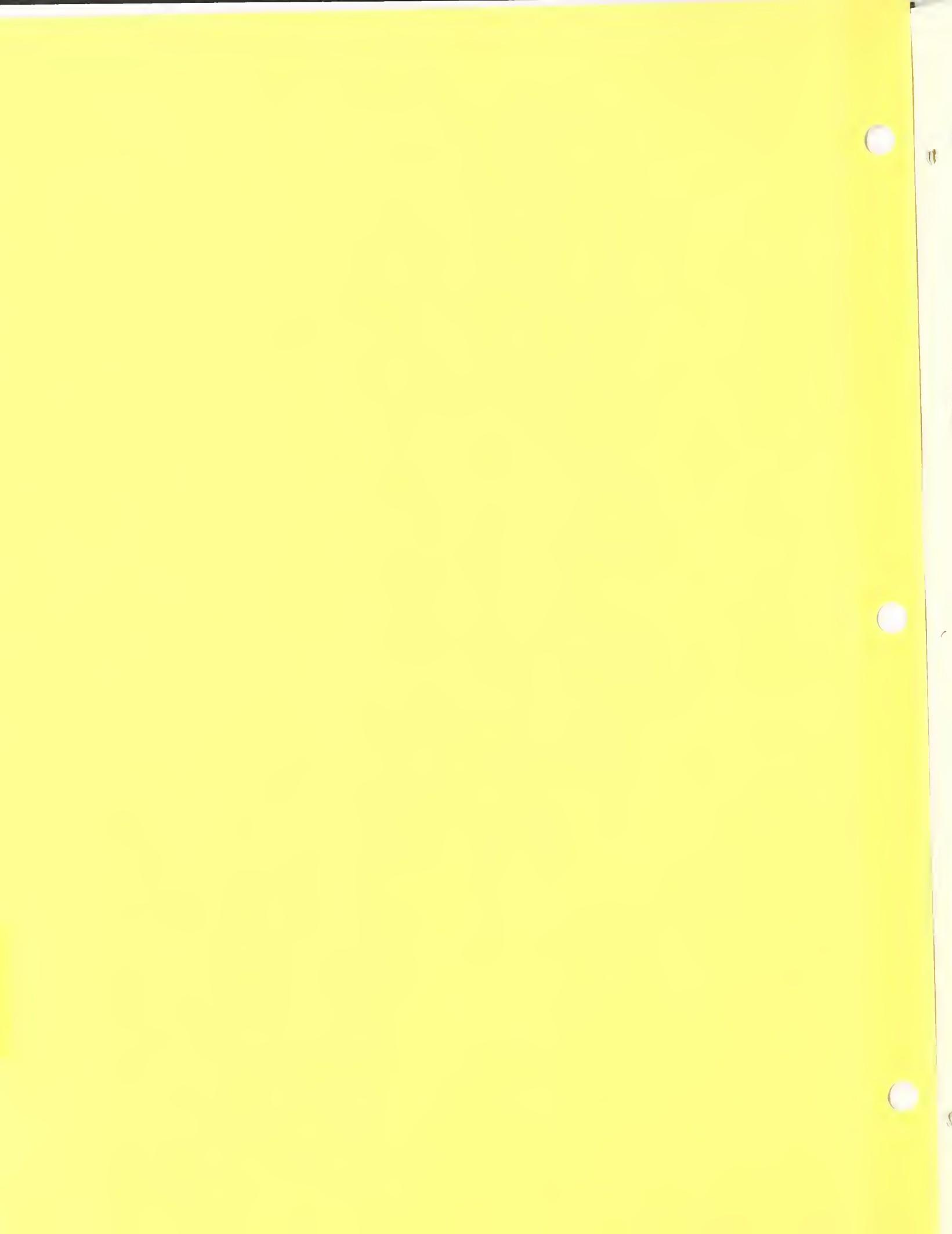
Marchelle Raynor has served on the School Committee since 1999 and for the past five years has been elected Vice Chair of the Committee. She is Program Director of the Gertrude E. Townsend Head Start Learning Center. Dr. Angel Amy Moreno was first appointed in January 2000. He is Professor of Social Sciences at Roxbury Community College and last year was Visiting Professor of Latin American History at Northeastern University.

### Boston School Committee 2007

Member	Term Expires	First Appointed
Angel Amy Moreno	2008	2000
Marchelle Raynor	2008	1999
Michele P. Brooks	2009	2005
Helen M. Dájer	2010	2005
Elizabeth Reilinger	2010	1994
Rev. Gregory G. Groover, Sr.	2011	2007
Alfreda J. Harris	2011	1993







Jones, Sam P.

**From:** dsmith@bmrbb.org on behalf of Research Bureau [ebeattie@bmrbb.org]  
**Sent:** Thursday, March 27, 2008 2:10 PM  
**To:** 'Research Bureau'  
**Subject:** BMRB: Boston News to Use



February/March 2008

## Boston Schools Face FY09 Budget Challenge

*Multi-year strategy for efficient change should be high priority*

On March 26<sup>th</sup>, the Boston School Committee approved a FY09 operating budget of \$827.5M, an increase of \$44.7M or 5.7% over the current appropriation. This budget is \$12M over the initial target budget of \$815.5M because it became clear that deeper cuts in the budget now would be too disruptive without time to properly plan and execute thoughtful strategies. [MORE>](#)

## Boston Succeeds in March Bond Sale

*City receives excellent rate in uncertain market*

In its first bond sale since the emergence of the sub-prime mortgage crisis, the City of Boston successfully sold \$126.2M of General Obligation (GO) bonds to finance new capital expenditures and \$28.2M of GO refunding bonds at excellent interest rates on March 6<sup>th</sup>. [MORE>](#)

## BPS Looks to Busing to Reduce Costs

*Student assignment and policy choices involved in any change*

With the setting of the FY09 School Department budget at \$827.5M, the Superintendent has been given time to develop plans to achieve efficiencies and cost savings in service areas that certainly will include transportation with its budget of over \$70M. [MORE>](#)

## Abatement Applications Drop In FY08

*Abatements continue on a downward trend*

Applications for property tax abatements have dropped by over 9% in the past three years from FY05 to FY08. Even while business value increased by 37% during this time, business abatement applications decreased by 15%. In this declining residential market, which typically leads to an increase in abatement filings, residential applications over these three years decreased by 3%. [MORE>](#)

## Boston's Tax-Exempt Property



## Government represents 79% of total exempt area

As the capital city of Massachusetts and the largest city in New England, Boston has a larger share of tax-exempt property within its boundaries than most any other city in the country except Washington, D.C. With greater pressure on the city budget, city officials are looking to the private tax-exempt institutions to contribute more financial support for services. [MORE>](#)

## City Council & School Committee

### Leadership Changes for 2008

The City Council & School Committee elected officers, reappointed members and established committees for 2008. Click here for the details. [MORE>](#)

## Bureau News

**Thank you** to our generous sponsors of the 76<sup>Th</sup> Annual Meeting of Members & Directors.

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The Research Bureau's Annual Meeting was held on March 7, 2008, at the Seaport Hotel and drew over 500 of Boston's most prominent business leaders. The keynote speaker, Mayor Thomas M. Menino delivered his annual speech to the business community. Calling the speech *Boston: Opportunities for our Future*, Mayor Menino rolled out five plans for the future. To read this speech [click here](#).

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# Bureau Update



February/March 2008

## Boston Schools Face FY09 Budget Challenge

*Multi-year strategy for efficient change should be high priority*

On March 26<sup>th</sup>, the Boston School Committee approved a FY09 operating budget of \$827.5M, an increase of \$44.7M or 5.7% over the current appropriation. This budget is \$12M over the initial target budget of \$815.5M because it became clear that deeper cuts in the budget now would be too disruptive without time to properly plan and execute thoughtful strategies. The City will allocate \$10M from non-recurring reserves (Free Cash) and the Boston Public Schools (BPS) will execute plans to increase city revenues by \$2M to support the budget.

This revised budget plan will give Superintendent Johnson more time to develop a multi-year plan to achieve greater efficiencies and cost savings in such areas as transportation, student assignment, staffing, and facility utilization. From this effort should come decisions on hard issues like school closings that can be implemented by FY10. The City cannot indefinitely support school services by utilizing one-time revenues.

The FY09 budget of \$827.5M is \$18.7M less than a level service budget from this year with limited new initiatives. Budget cuts of \$16.7M have been identified primarily in central services to protect classrooms. The cuts include the elimination of 49 central positions of which 32 or 65% are vacant positions. An additional \$2.0M in cuts must be achieved that could result in a further reduction of 32 administrative positions which would be more difficult to achieve with vacancies already captured in the first set of reductions.

### Pressure Points on BPS Budget

- Negligible net state aid increase (\$3.1M or 0.7%) based on Governor's budget. [MORE>](#)
- Reductions in external funds (\$16.2M) such as Title 1 and other grant sources that require service costs to be absorbed in the operating budget or eliminated.
- Increased costs in FY09 for collective bargaining contracts (\$28M). The increase in the Boston teachers' contract alone is \$22M next year and \$184M over four years.
- Escalating costs for utilities (\$1.6M), health insurance (\$4.9M), other employee benefits (\$2.3M) and transportation (\$1.0M).
- Declining enrollment of 9.5% over five years that affects allocations for state Chapter 70 school aid and Federal Title I grants.
- Growing levels of BPS employees (453 FTE in 3 years) as initiatives were approved to address instructional needs but not offset by cuts elsewhere in response to enrollment declines.

The School Committee should reconsider its cut of \$300,000 for professional development in the ten Superintendent Schools. This plan to turn around underperforming schools came at a high cost in the teachers' contract and should not be weakened further.



# Bureau Update



February/March 2008

## Boston Succeeds in March Bond Sale

*City receives excellent rate in uncertain market*

In its first bond sale since the emergence of the subprime mortgage crisis, the City of Boston successfully sold \$126.2M of General Obligation (GO) bonds to finance new capital expenditures and \$28.2M of GO refunding bonds at excellent interest rates on March 6<sup>th</sup>. The City benefited by its prudent debt management policies and high credit rating.

The bonds were sold without a buyer seeking insurance due to the underlying strength of the City's credit and the increasing cost of insurance premiums as a consequence of several guarantors' exposure in the subprime market. Boston's bond ratings were affirmed by Moody's Investors Service (Aa1), Standard & Poor's (AA+) and Fitch Ratings (AA). The Moody's and S&P ratings are the highest AA ratings assigned by each firm. Boston's sale was very competitive as evident by the number of firms bidding on the two issues.

Low bidder for the \$126.2M issue was Lehman Brothers at a True Interest Cost (TIC) of 4.21% among the nine firms submitting bids. The total interest costs over the 20 years of the issue is \$64.6M. The \$28.2M refunding bonds were awarded to Robert W. Baird & Co. with a TIC of 3.06% from among eight firms bidding. The net present value savings of the refunding is over

\$2.2M, which will reduce debt service costs on a cash basis by approximately \$370,000 annually over the seven years from FY09 to FY15.

Municipal bond rates have been moving up and the TIC of 4.21% for the \$126.2M bond issue compares with 3.96% received on a similar issue last year. However, the TIC of 4.21% is considered very attractive in today's turbulent market. The TIC on the refunding issue of 3.06% this year compares with last year's refunding bond TIC of 4.04% but the difference is more a reflection of the shorter term for this year's issue than lower interest rates.

Assisting the City in this year's two bond issues are its Financial Advisor, Public Financial Management, Inc. and its Bond Counsel, Edwards Angell Palmer & Dodge.

The rating agencies maintained their AA ratings for Boston based on the City's continued solid management practices, growing reserves and strong economy.

What the three rating services say about Boston will be discussed in the next *Bureau Update*.





# Bureau Update

February/March 2008

## BPS Looks to Busing to Reduce Costs

*Student assignment and policy choices involved in any change*

With the setting of the FY09 School Department budget at \$827.5M, the Superintendent has been given time to develop plans to achieve efficiencies and cost savings in service areas that certainly will include transportation with its budget of over \$70M. Mayor Menino teed up this issue in his January State of the City Address when he called upon the Superintendent to reduce the School Department's transportation budget by \$10M.

In this situation, the choice becomes how to apply limited resources - to support needed educational initiatives or to pay \$4.7M for fuel costs. Reducing the BPS transportation budget is not about moving toward neighborhood schools but about reconsidering policy choices made that constitute the current transportation plan with its FY08 budget of \$73.3M. Savings cannot be achieved without modifying the current student assignment plan which will involve less choice and flexibility than provided now.

Under the current student assignment plan, the City is divided into three geographic zones for elementary and middle school students. All high schools are citywide. Students may apply for schools in the zones in which they live and other zones if the schools are within their "walk zone." Fifty percent of each school's seats are set aside for students with walk zone priority. This policy is accepted as being "race neutral" and meeting

constitutional requirements. Five K-8 and middle schools are citywide schools.

### What a Busing Review Will Involve

- Modification of student assignment plan
- Consider increasing number of zones
- Review of placement of special education programs
- Consider creating more K-8 schools
- Possibly eliminating citywide schools (not high schools) and creating them in each zone
- Review of busing for private and parochial school students. Consider transporting BPS, private and parochial students together if routes allow.

### What a Busing Review Will Not Involve

- Adopting a neighborhood schools plan
- Change of the current 50/50 walk zone policy

The school transportation budget for FY08 is \$73.3M which represents an increase of 22% over six years. Employee salaries, benefits and fuel costs have shown the largest growth since FY02 [\[MORE\]](#).

Boston transports 45,351 students to approximately 259 sites. [\[MORE\]](#) This plan requires about 670 vehicles for 629 daily routes. The service delivery model involves a management style contract with First Student that extends through June 2013.

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# Bureau Update



February/March 2008

## Abatement Applications Drop In FY08

*Abatements continue on a downward trend*

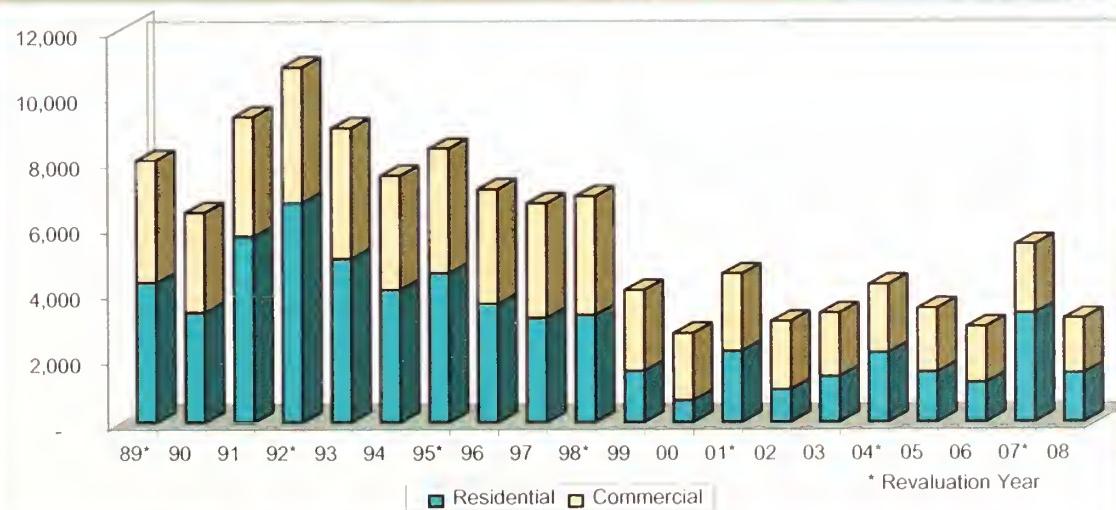
Applications for property tax abatements have dropped by over 9% in the past three years from FY05 to FY08. Even while business value increased by 37% during this time, business abatement applications decreased by 15%. In this declining residential market, which typically leads to an increase in abatement filings, residential applications over these three years decreased by 3%.

Business abatement filings dropped to 1,670 in FY08, the lowest number of abatement requests over the past 20 years. This year more than half (53%) of the abatements filed were for commercial properties. Of the residential filings in FY08, condominium owners represented the largest share at 45%, followed by three-family owners at 21% and single-family owners at 14%.

Abatement applications have been on a downward trend since 1992, reflecting the City's efforts to respond effectively to the changing real estate market and adjust property values accordingly. The high point of total abatement applications in a non-revaluation year was 9,334 applications in FY91. The low point was 2,720 applications in FY00.

The caseload of open appeals of Boston values before the state Appellate Tax Board has also shown a downward trend. Open cases have decreased from 2,695 in December 2004 to 957 in January 2008, a drop of 64%. The combination of Boston assessors handling more cases and the ATB adopting hearing efficiency measures contributed to the decrease in open appeals.

**Abatement Application History**





# Bureau Update



February/March 2008

## Boston's Tax-Exempt Property

*Government represents 79% of total exempt area*

As the capital city of Massachusetts and the largest city in New England, Boston has a larger share of tax-exempt property within its boundaries than most any other city in the country except Washington, D.C. With greater pressure on the city budget, city officials are looking to the private tax-exempt institutions to contribute more financial support for services. However, private exempt institutions, especially the educational and medical institutions, are the basis for much of the economic strength and growth in Boston.

**FY08 Tax-Exempt Land Area Summary**

Category	Sq. Mi.	% Exempt Area	% City Area
Public	18.2	79%	40%
Private	5	22%	11%
<b>Total Exempt</b>	<b>23.2</b>	<b>100%</b>	<b>51%</b>
Total City	45.7		

One-half of the land area in Boston is tax-exempt, primarily owned by governmental entities or tax-exempt nonprofit institutions. Of the total tax-exempt land area of 23.2 square miles, 18.2 square miles or 79% is owned by the Federal government, Commonwealth of Massachusetts or City of Boston, while 5.0 square miles or 22% is owned by religious and other exempt institutions. Click here [MORE>](#) for a detailed breakdown of tax-exempt property.

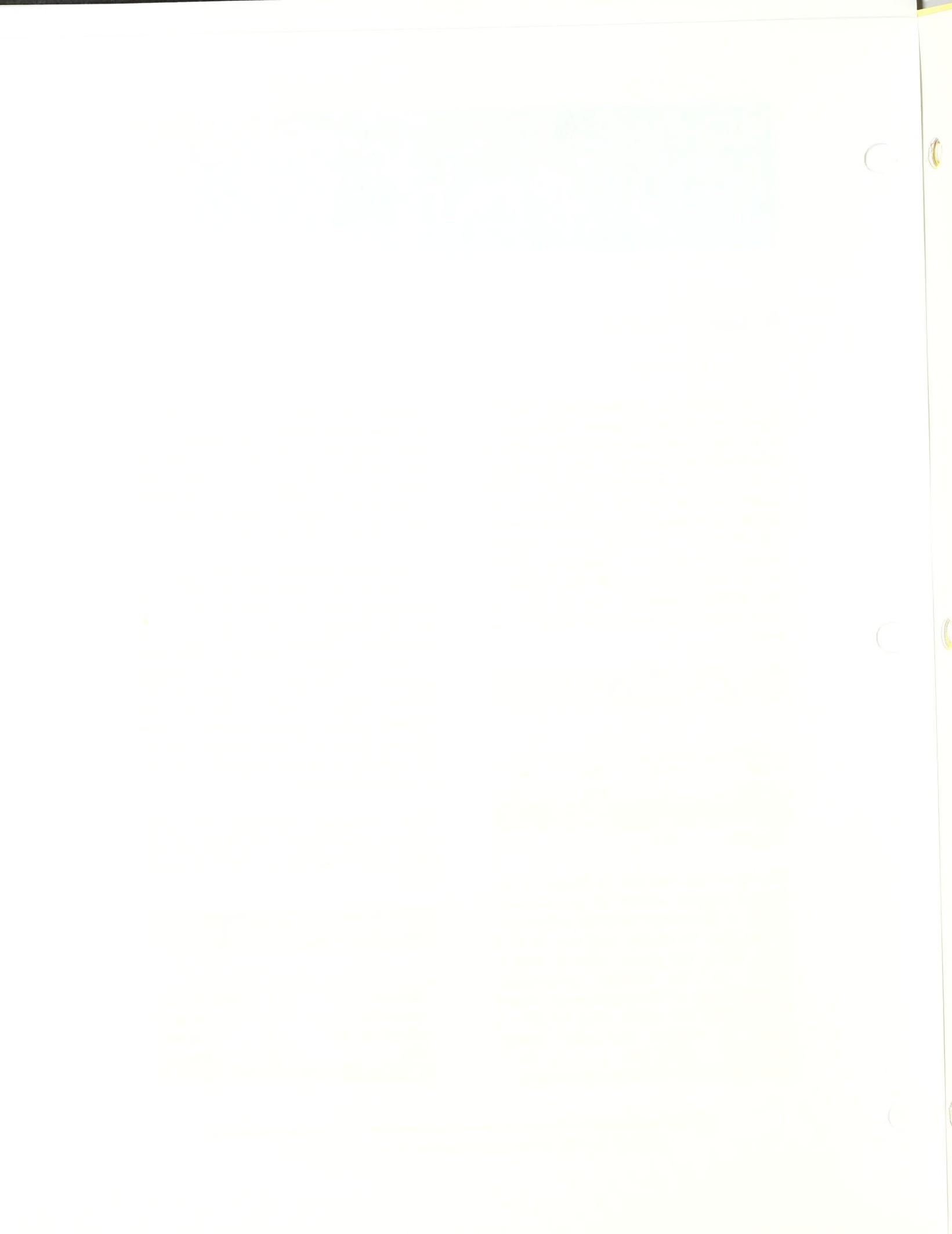
Boston's total assessed value in FY08 is \$99.6B of which taxable value represents 72% of the total and tax-exempt 28%. Since the City does not continually update tax-exempt values as it does taxable property, discussion of tax-exempt property should be limited to comparisons of area, not value.

Of the private tax-exempt area that represents 11% of the City's total area, the educational and medical institutions make up only 5% of all city property. The value of these institutions is demonstrated by a 2006 study by the Conference of Boston Teaching Hospitals (COBTII) that indicated that Greater Boston's teaching hospitals and affiliated medical schools provide a direct economic benefit to Greater Boston of \$4.5B. Six of the top 10 private employers in Boston are teaching hospitals.

Many tax-exempt institutions do make payments in lieu of taxes (PILOTs) to Boston which totaled \$32.1M in FY07 as shown below.

**Tax-Exempt PILOTs in FY07**

Category	No.	PILOTs
Massport	1	\$15,232,000
Medical Inst.	10	4,304,632
Educational Inst.	13	7,786,994
Other	11	4,802,020
<b>Total</b>	<b>35</b>	<b>\$32,125,646</b>



# Bureau Update



February/March 2008

## City Council & School Committee

### *Leadership Changes for 2008*

#### **In the City Council:**

Councilor Maureen Feeney was elected President of the City Council for a second year and she, in turn, selected Councilor John Tobin to serve as Vice President, also for a second year. President Feeney announced her appointments to lead the City Council's Standing and Special Committees in 2008. Several of the City Council's key committees will have new leadership this year with a total of 10 committees undergoing leadership changes.

Altogether, there are 24 committees for the City Council's 2008 legislative session including a Special Committee on Boston Common and City Hall. The Youth Violent Crimes Prevention and Public Utilities and Cable Communications committees have been removed while a Municipal, State, and Federal Relations Committee and a Presidential Committee on Council Centennial have been added. The chairs of selected committees for 2008 are shown below.

Committee	Chair
Ways & Means	Steve Murphy
Economic Development & Planning	Bill Linehan
Education	Chuck Turner
Government Operations	Michael Ross
Housing	Rob Consalvo
Labor & Workforce Development	Michael Flaherty
Public Safety	Steve Murphy
Aviation & Transportation	Salvatore LaMattina

#### **In the School Committee:**

Elizabeth Reilinger was elected Chairperson of the School Committee for the eleventh consecutive year in January. She was first elected Chairperson in January 1998 and has served as a member since 1994. The Reverend Gregory G. Groover, Sr. was re-elected as Vice Chairman for a second straight year.

The terms of two members expired in December and the Mayor re-appointed Marchelle Raynor to a new four-year term. She has served on the Committee since 1999 and served as Vice-Chair from 2003 through 2006.

A new member of the School Committee appointed to a four year term by the Mayor is Claudio Martinez, Executive Director of the Hyde Square Task Force. The Hyde Square Task Force is a nonprofit organization founded in 1980 to enhance the skills of youth and their families by promoting civic engagement, cultural celebration, and community organization.

Mr. Martinez replaced Dr. Angel Amy Moreno, who served on the Committee from 2000 to 2007, and decided not to apply for another term.

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## Jones, Sam P.

**From:** dsmith@bmrb.org on behalf of Research Bureau [ebeattie@bmrb.org]  
**Sent:** Wednesday, May 07, 2008 1:07 PM  
**To:** 'Elaine Beattie'  
**Subject:** Boston News To Use - April 2008



April 2008

### ✓ Foreclosure Status in Boston

#### *City started efforts early to address growing problem*

Over the past several months, the subprime mortgage crisis has become more alarming as it affects homeowners and both national and international financial institutions and subsequently access to credit. Here in Boston .... [MORE](#)

### ✓ Mayor's Recommended FY09 Budget

#### *Personnel costs account for 75% of the total growth*

On April 9<sup>th</sup>, Mayor Menino presented his recommended budget for FY09 of \$2.42B which represents an increase of \$117M or 5.1%. The 5.1% stands out in this tight budget year. For example, Governor Patrick's budget represented an increase of 3.1%. [MORE](#)

### ✓ Firefighters' Contract Update

#### *Union delaying tactics continue with no progress made*

The process to reach a final contract with the Boston firefighters is like the Energizer Bunny®, it keeps going and going with no end in sight. Even when impasse was reached and the state Joint Labor-Management Committee (JLMC) finally accepted jurisdiction, the process keeps going and going despite its purpose to reach a final resolution in a reasonable time. That is due to delaying tactics of the firefighters' union (Local 718) and an unwillingness of the JLMC to move the process forward to reach timely resolution. [MORE](#)

### ✓ Public Works Audit Impact

#### *Inquiry reveals broader management needs citywide*

"Currently, the fire department's officers receive no formal training in management, leadership, and supervision." This finding from the Mayor's Boston Fire Department Independent Review Panel's report of November 30, 2007 could just as easily apply to the Public Works Department and other city line departments. [MORE](#)

### ✓ Rating Boston in 2008

#### *What the bond rating agencies say about Boston*

5/7/2008



As part of the City of Boston's sale of general obligation bonds (GO) and refinancing bonds, on March 6<sup>th</sup>, the three rating agencies of Moody's Investors Service (Aa1), Standard & Poor's (AA+) and Fitch Ratings (AA) reaffirmed their ratings. The consensus of the three agencies in their rating reports is that Boston's financial position remains strong, with good financial management, and growing reserves. [MORE](#)

## Bureau News

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and the same number of the dried animal's decoction. In the treated form it is to be applied to the head, and the decoction to drink. If the disease continues, it is to be repeated every day. It is also good to apply a poultice made of crushed sand and the bark of the *Acacia* to the head, and to have a decoction prepared from a common acacia, having this

#### 2. *Scalp Ulcers*

Take a decoction of the root of the *Acacia*, and apply it to the head, and it will cure the disease.

Take a decoction of the bark of the *Acacia* and apply it to the head, and it will cure the disease.

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# Bureau Update



April 2008

## Foreclosure Status in Boston

*City started efforts early to address growing problem*

Over the past several months, the subprime mortgage crisis has become more alarming as it affects homeowners and both national and international financial institutions and subsequently access to credit. Here in Boston based on data from the City's Department of Neighborhood Development (DND):

- The number of foreclosure deeds registered as of April 11<sup>th</sup> has increased by 203% to 349 from 115 at the same point last year.
- There were 703 foreclosed deeds registered in 2007, an increase of 442 or 169% over 2006.
- In 2007, Dorchester, Roxbury, Mattapan and Hyde Park accounted for 70% of all foreclosure deeds in Boston
- The median number of years between the mortgage and the initial foreclosure petition in 2007 was 1.4 years and 66% of the mortgages were less than 2 years old

In 1999, the City of Boston became more aware of the predatory lending industry and initiated a public information campaign warning citizens to be careful about attractive mortgage offers. Through the **Boston Home Center**, prospective home buyers are offered down payment and closing cost assistance but must participate in educational programs on the home buying process and financial services.

With a significant increase in foreclosures at the end of 2005, the City enhanced its foreclosure intervention services by creating:

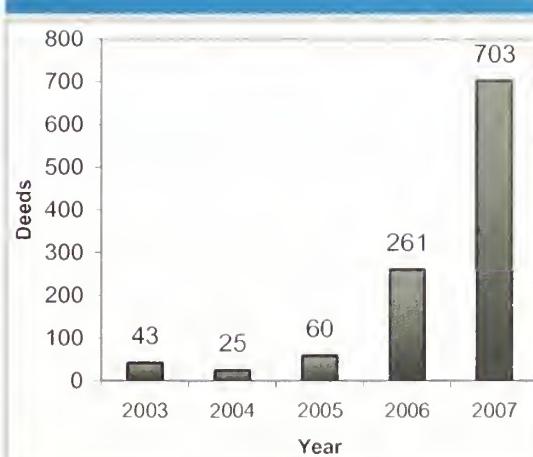
**First Choice Lenders (2006):** Enlisting six major banks to help people secure model loans and refinance out of bad loans.

**Foreclosure Prevention Counseling Network (2006 & 2008):** The City approved federal CDBG funds for five community-based organizations and the Real Estate Bar Association to provide expanded foreclosure intervention counseling.

**Foreclosure Intervention Team (2008):** Created an interagency task force to deliver a coordinated approach to address causes of disinvestment in areas of high concentrations of foreclosed and abandoned properties.

The Boston Redevelopment Authority will purchase selected abandoned homes to rehabilitate and sell to new home buyers to spur home ownership and revitalization of the neighborhood.

**Number of Foreclosure Deeds in Boston**





# Bureau Update



April 2008

## Mayor's Recommended FY09 Budget

*Personnel costs account for 75% of the total growth*

On April 9<sup>th</sup>, Mayor Menino presented his recommended budget for FY09 of \$2.42B which represents an increase of \$117M or 5.1%. The 5.1% stands out in this tight budget year. For example, Governor Patrick's budget represented an increase of 3.1%. Approximately 75% of the growth in this budget is due to increasing personnel costs for new contract salaries, new positions, health insurance and pensions. This budget will support a projected increase of 135 FTE positions by January 1, 2009 from new positions and filling vacant positions. This budget should provide relative stability of services in a difficult fiscal environment.

**Revenues** - Over half of the revenue increase is due to growth in the property tax levy. New growth is estimated at \$25M.

Boston's FY09 Revenue Estimates In millions		
Source	FY 09	Change
Net Property Tax Levy	\$1,358.67	\$63.52
State Aid	502.98	9.24
Teacher Pension Reimb.	103.00	9.67
Fines	80.95	13.02
Interest on Investments	21.38	(16.13)
Other	308.00	28.39
<b>Total Recurring</b>	<b>\$2,374.98</b>	<b>\$107.71</b>
Budgetary Fund Balance	\$35.00	\$10.00
Non-Recurring Revenue	6.00	(0.67)
<b>Total Revenues</b>	<b>\$2,415.98</b>	<b>\$117.04</b>

State aid grows slightly but becomes negative when factoring in increases in state assessments, not including state

reimbursements for teacher pensions. The drop in the Federal Fund Rate to 2.00% is estimated to reduce income from interest on investments. The City will use nonrecurring revenue of \$41M and expects to raise \$12M from increases in parking fines.

**Expenses** - The bulk of the recommended budget increase of \$117M is allocated to very few of the 63 departments and accounts that constitute the budget. In fact, \$100.3M or 86% of the increase is allocated to only eight budget accounts. That leaves \$16.7M split among 55 budget accounts. After several years of double-digit increases, health insurance will increase by only 3.1% next year.

**Boston's FY09 Recommended Budget**  
in millions

Dept./Account	FY 09	Increase
School	\$827.50	\$44.72
Police	281.06	10.37
Fire	161.24	1.50
Public Works	87.53	1.25
Pensions	213.23	10.32
State Assessments	141.99	10.85
Other	\$703.43	\$38.03
<b>Total</b>	<b>\$2,415.98</b>	<b>\$117.04</b>

New classes to cover attrition will sustain police officer and firefighter levels budgeted in FY08. State assessments, primarily for MBTA and charter schools, will increase by \$10.9M. The reserve for the retiree health insurance liability (OPEB) is increased by \$5M to \$25M, far less than what is needed. This FY09 budget has less flexibility and should not be increased further.



# Bureau Update



April 2008

## Firefighters' Contract Update

### *Union delaying tactics continue with no progress made*

The process to reach a final contract with the Boston firefighters is like the Energizer Bunny<sup>®</sup>, it keeps going and going with no end in sight. Even when impasse was reached and the state Joint Labor-Management Committee (JLMC) finally accepted jurisdiction, the process keeps going and going despite its purpose to reach a final resolution in a reasonable time. That is due to delaying tactics of the firefighters' union (Local 718) and an unwillingness of the JLMC to move the process forward to reach timely resolution.

The process with the JLMC began on August 1, 2007 with the City's petition to take jurisdiction of the dispute after over 20 months of unproductive negotiations. The JLMC accepted jurisdiction of the dispute on February 7, 2008, six months later even though its rules require it to make a decision within 30 days of receiving the petition. Since February 7, the JLMC has scheduled only two mediation sessions in a two-month period (February 27 and April 30), neither of which have helped bring the parties closer to agreement. At its next meeting on May 8, the JLMC could take up a motion that would lead to binding arbitration.

It is clear from statements made at JLMC meetings that Local 718 will take whatever steps it can to prevent the JLMC from including drug and alcohol testing in mediation and certainly binding arbitration proceedings. That issue Local 718 officials

want kept outside this process with a hope to negotiate directly with the Mayor for a higher salary increase.

However, drug and alcohol testing is only one of several issues that should be addressed in this contract. The last firefighters' contract in 2004 was an arbitration decision accepted by the union on the night of the DNC delegation parties and it only addressed salary and paid detail compensation issues. Thus, it has been seven years since there have been any language changes to improve Fire Department operations. The environment is much different since 2004 and other changes that should be included in the next contract include:

- Temporary promotion policy (acting out of grade) and the shift swapping practice
- Sick leave control
- Vehicle maintenance civilianization
- Modified (light) duty control
- The City's new health insurance agreement negotiated with other unions
- Fire Review Panel's recommendations

Any contract decision by negotiations or the JLMC must recognize the financial limitations facing Boston and keep salary increases consistent with the 14% for the police contracts if meaningful language changes are included in the contract beyond drug and alcohol testing.

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# Bureau Update



April 2008

## Public Works Audit Impact

*Inquiry reveals broader management needs citywide*

**“Currently, the fire department’s officers receive no formal training in management, leadership, and supervision.”** This finding from the Mayor’s Boston Fire Department Independent Review Panel’s report of November 30, 2007 could just as easily apply to the Public Works Department and other city line departments.

Beyond the recently revealed findings of inadequate supervision and lax work practices and record keeping in the Highway Division of the Public Works Department (PWD) are broader personnel issues of recruitment, training, supervision, evaluation promotion, and accountability that should be addressed citywide. Indeed, the 2007 KPMG audit of the work order management of the Highway Division raises questions of whether or not similar work practices and management issues would be identified in other line departments providing direct public services with a dispersed workforce.

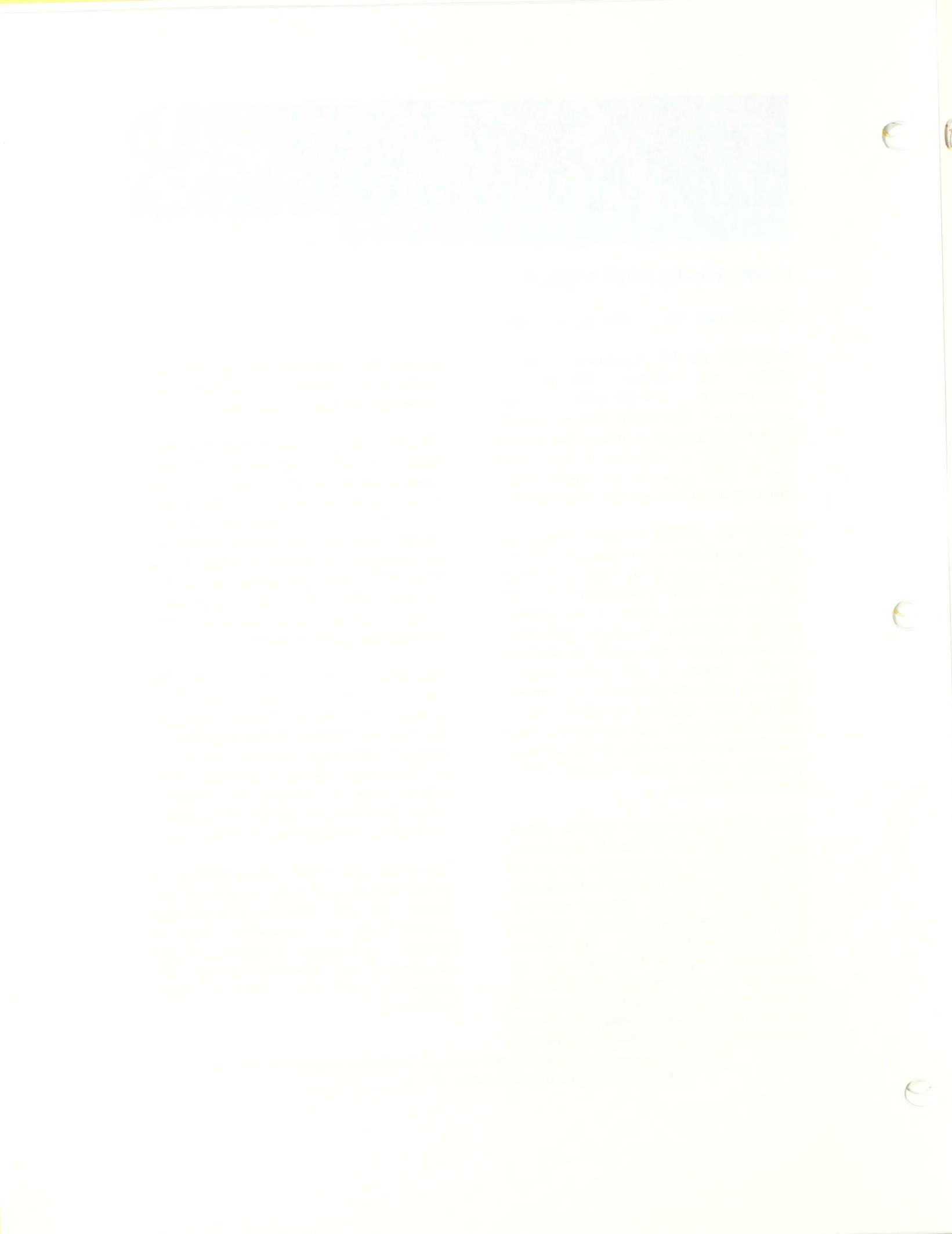
Today, Civil Service applies to police officers and firefighters and is basically non-existent for other services. However, the City has not been willing to enter this void and establish a comprehensive human resource operation with formal recruitment, training, evaluation and accountability systems. The financial commitment required has influenced this situation. Through seniority, employees rise in rank to supervisor or manager but usually do not receive formal training in how to exercise their new responsibilities. Promotion

is generally from within with few managers coming from the private sector bringing new experiences and practices with them.

The City’s Office of Human Resources has a central responsibility for efficient personnel management but for many years its role had been limited to processing due to past practice and restricted resources. Programs to provide training classes have been offered but they are not mandatory and utilization differs among departments. With tight budgets, the City has not been willing to devote the resources needed to provide a more formal structured and mandatory training program.

The Administration has come to realize the importance of a stronger and more comprehensive role for Human Resources. With this new emphasis and the utilization of upgraded technology, improved services to city departments should be expected. The tougher issues of changing an imbedded culture and raising supervisory and workforce standards in some departments will take time.

The results of the PWD review reinforce a recommendation made over the years by the Bureau that the Menino Administration contract with an appropriate firm to undertake a complete evaluation of the management and operations of one city department each year with no prior notification.



# Bureau Update



April 2008

## Rating Boston in 2008

### *What the bond rating agencies say about Boston*

As part of the City of Boston's sale of general obligation bonds (GO) and refinancing bonds, on March 6<sup>th</sup>, the three rating agencies of Moody's Investors Service (Aa1), Standard & Poor's (AA+) and Fitch Ratings (AA) reaffirmed their ratings. [\[MORE\]](#) The consensus of the three agencies in their rating reports is that Boston's financial position remains strong, with good financial management, and growing reserves. The key highlights of the reports are:

#### **Positive factors benefiting Boston:**

- Excellent financial management with a demonstrated track record of managing through all economic cycles
- Sound financial position with steady growth of reserves
- Manageable debt burden, with rapid bond amortization
- Substantial and diverse economy

#### **Constraining factors being watched:**

- Declining share of state aid as percent of the city's operating budget
- Rising employee-related costs in a limited revenue-raising environment
- Unfunded pension liability that totals \$2.1 billion as of January 1, 2007
- Future budget challenge of retiree health insurance liability

**Financial Management** - Boston's financial management is considered strong, managed by a seasoned financial team that adheres to prudent financial policies. Conservative revenue forecasting and tight spending

controls have contributed to annual operating surpluses even during periods of limited revenue growth. The City is credited with planning to fully fund its pension liability by 2023. Also noted was the City's effort to put funds aside for its retiree health insurance liability (OPEB).

**Financial Position** – Boston remains in a solid financial position with growing reserves. On an undesignated GAAP basis, the FY07 fund balance was \$495.3M, which is well above the \$331.5M recorded in FY03. These funds cannot be appropriated for operations. The City's diverse tax base doubled in value over the past seven years, although overall the market has cooled recently and a slowdown in development is recognized.

**Debt Position** – Boston's debt ratios are favorable with 78% of debt scheduled to be retired within 10 years. Debt service remains within 7% of the operating expenditures. The City has no variable-rate debt or swaps outstanding.

**Constraining Factors** – The three agencies note that the budget drivers of rising salaries, health insurance costs and pension obligations will challenge Boston in future years. The City's pension funded ratio is 66.5%, leaving an unfunded liability of \$2.1B. The retiree health insurance liability (OPEB) is estimated at \$2.8B (pre-funded). For FY09, the City will pay \$95M for current retiree costs and allocate \$25M to an OPEB reserve, far less than the suggested total annualized payment of \$208M.







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39**Sam P.**

dsmith@bmrb.org on behalf of Research Bureau [ebeattie@bmrb.org]

Thursday, May 29, 2008 10:55 PM

'Elaine Beattie'

**Subject:** BMRB News To Use - May 2008

May 2008

## Senate Budget Allows Added Pension Cost for Municipalities

*COLA change could increase Boston's annual pension costs by \$7-\$10 million*

Using an outside section of the budget with no public hearing, the Senate budget approved on May 22 contains a provision that would allow the base for cost-of-living adjustments (COLAs) for municipal retirees to increase by one-third. At a time of tight budgeting, requiring service cuts in most communities, enabling the possibility of significant pension cost increases with no revenue support does a disservice to municipalities however well meaning the intent. Outside section 15 of the Senate's FY09 approved budget enables the base amount for COLAs to increase from \$12,000 to \$16,000, a jump of 33.3%. The maximum COLA would be 3% of the base amount. [MORE>](#)

## The Accidental Disability Retirement Process

*Why are Boston firefighter disability retirements so disproportional?*

The fact that over the past three fiscal years disability retirements exceeded 70% of all Boston firefighter retirements has raised the natural question of what is the process in Massachusetts for determining eligibility for an accidental disability retirement. In FY06, 76% of all Boston firefighter retirements were disability retirements. Of that group, 64% were firefighters working out of grade at a higher level and able to retire with a larger pension, but that raises a different question. [MORE>](#)

## Municipalities Wait for State Approval of OPEB Reserve

*Legal authority to establish a trust fund would reduce overall liability*

Boston and other cities and towns are now required to account for and report the full and unfunded liability for other post employment benefits (OPEB) than pensions such as health and life insurance for retirees. As with the pension liability, the OPEB liability could be reduced if municipalities were able to set funds aside in an irrevocable trust to pre-fund the liability taking advantage of investment returns from expanded investment vehicles available to retirement boards but not municipalities. Cities and towns interested in starting to fund a reserve for this purpose are waiting for legislation (H11140) that has been stalled in the House but which requires revisions to be useful. [MORE>](#)

## The Drug and Alcohol Testing Bill That Wasn't

2010 年 10 月



## New firefighters' contract should include operational changes in several areas

Since last August when drug and alcohol testing was pushed to the forefront in contract talks between the Menino Administration and firefighters' union (Local 718), the Research Bureau has argued that annual drug and alcohol testing should be a statewide requirement for all uniformed public safety employees and not be subject to collective bargaining. That position seemed to get some traction when a docket was filed in the Legislature requiring drug and alcohol testing but the filing appears to be as far as the bill will go. [MORE>](#)

## The Greening of Boston

### *City takes action to reduce threat of climate change and bring efficiencies to operations*

Popular Science magazine recently ranked the 50 "greenest cities" based on factors such as their use of alternative energy, transit and carpooling, green building techniques and waste recycling. The City of Boston ranked third in the survey which may have surprised many in the area. Portland, OR and San Francisco, CA ranked one and two respectively and Cambridge, MA was sixth. [MORE>](#)

## Bureau News

### We welcome two new Directors to the Research Bureau Board:

#### **Anthony E. Hubbard, Esquire**

Member of the Corporate Practice

Mintz Levin Cohn Ferris Glovsky and Popeo PC

#### **Mr. Jeffrey Saviano**

Tax Partner; Director of Northeast State and Local Services

Ernst & Young LLP

*The Bureau wishes to thank departing Director, Mark H. Weston a Partner at Ernst & Young for his contributions to the Board of Directors and the Research Bureau since 1999.*

A special thank you to our **Cabinet Members** for their generous support:

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# Bureau Update



May 2008

## Senate Budget Allows Added Pension Cost for Municipalities

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Using an outside section of the budget with no public hearing, the Senate budget approved on May 22 contains a provision that would allow the base for cost-of-living adjustments (COLAs) for municipal retirees to increase by one-third. At a time of tight budgeting, requiring service cuts in most communities, enabling the possibility of significant pension cost increases with no revenue support does a disservice to municipalities however well meaning the intent. Outside section 15 of the Senate's FY09 approved budget enables the base amount for COLAs to increase from \$12,000 to \$16,000, a jump of 33.3%. The maximum COLA would be 3% of the base amount.

This change if approved in the final state budget would not be considered a state mandate by the Legislature since the increase would have to be approved by a municipality before it would go into effect. However, the political pressure for immediate increase with little consideration for long-term financial consequences would be strong. Early estimates indicate that if the higher COLA level were adopted for Boston retirees, annual pension costs could increase by \$7-\$10M.

Approving this outside section with no public discussion is the exact opposite approach that should be taken at this time. Instead, COLA changes should be incorporated into a larger discussion of the mounting personnel costs in

local government due to salary increases and spending for health and pension benefits. These costs are rising at a greater pace than revenue growth thereby affecting resources available for other services. The increasing liability of retiree health insurance (OPEB) and the inability to adequately fund that cost must be included in this discussion. (See OPEB section of this *Bureau Update*)

The Massachusetts Municipal Association (MMA) estimates that the COLA increase would add \$2B or more to the municipal unfunded pension liability. The MMA strongly opposes the increase now and has called for an independent comprehensive study of the entire pension system.

### Why COLA base for Boston should not increase:

Boston's pension system has an unfunded pension liability of \$2.1B as of Jan. 2007 with a funded ratio of only 66.5%.

- COLAs of 3% have been approved each year from FY99-FY08
- Pension costs for FY09 budget total \$213.2M, an increase of \$10.3M or 5.1%
- Retirees receive a defined benefit pension, which is rare in private sector
- Boston faces OPEB unfunded liability of \$2.5B (prefunded)
- Acceptance does not require the Mayor's approval



# Bureau Update

May 2008

## The Accidental Disability Retirement Process

### *Why are Boston firefighter disability retirements so disproportional?*

The fact that over the past three fiscal years disability retirements exceeded 70% of all Boston firefighter retirements has raised the natural question of what is the process in Massachusetts for determining eligibility for an accidental disability retirement. In FY06, 76% of all Boston firefighter retirements were disability retirements. Of that group, 64% were firefighters working out of grade at a higher level and able to retire with a larger pension, but that raises a different question.

An employee is eligible for an accidental disability retirement (ADR) if he or she sustains a permanent injury while in the performance of his or her duties that would prevent the employee from performing the "essential duties" of his or her job. The applicant must be an active employee and no minimum service or age requirement exists.

The first point to understand with firefighter ADR is that the law provides three presumptions that a disability caused by:

- Heart disease or hypertension
- Disease of lung or respiratory tract
- Most cancers

was suffered in the line of duty.

The basic process for an ADR application, albeit simplified here, involves the following:

- Employee must complete a State Boston Retirement Board (SBRB) application and attach full medical records and name of a doctor who will certify disabling injury
- Employer submits to SBRB job duties and injury report
- SBRB asks state Public Employee Retirement Administration Commission (PERAC) to appoint a "Regional Medical Panel" to examine patient. Two of three doctors must agree to ADR
- SBRB hearing officer conducts hearing and submits recommendation for Board
- If SBRB approves ADR, it sends decision to PERAC which must act within 30 days or ADR is deemed approved
- SBRB must decide on ADR request in 180 days unless PERAC grants a waiver

The benefits of an ADR for legitimate cases are fully appropriate. However, the significant jump in ADR cases for firefighters over the past three years and its cost implications mean that everyone involved in the decision-making of an ADR must be held accountable.

**Boston Fire Department Disability Retirements vs. Disability Retirees Injured at Higher Grade Level**





# Bureau Update



May 2008

## Municipalities Wait for State Approval of OPEB Reserve

*Legal authority to establish a trust fund would reduce overall liability*

Boston and other cities and towns are now required to account for and report the full and unfunded liability for other post employment benefits (OPEB) than pensions such as health and life insurance for retirees. As with the pension liability, the OPEB liability could be reduced if municipalities were able to set funds aside in an irrevocable trust to prefund the liability taking advantage of investment returns from expanded investment vehicles available to retirement boards but not municipalities. Cities and towns interested in starting to fund a reserve for this purpose are waiting for legislation (H1140) that has been stalled in the House but which requires revisions to be useful.

The Governmental Accounting Standards Board (GASB) has established a new standard for financial statements that requires states and municipalities to report their full liability for retiree health and life insurance. The reasoning behind this new standard is that while these benefits are not received until retirement, they are, like pensions, a promise to current employees and are therefore a cost of providing service today.

### Boston's Growing OPEB Liability

Boston has been paying for these benefits as the actual expense is paid out (pay-as-you-go) with no funds raised for future expenses of current employees. The City's outside actuarial consultant prepared a report that indicated its actuarial accrued liability as of

June 30, 2005 was between \$5.2B (pay-as-you-go) and \$2.5B (prefunded). The prefunded estimate is now \$2.8B as of January 2007 which presumes that the City will prefund the liability over 30 years in a separate reserve which is presumed to receive a higher rate of investment return. Based on this model, Boston's OPEB obligation in FY09 would be \$208M. Instead, Boston will fund current retiree costs of \$95M and put \$25M in a stabilization fund for a total of \$120M.

### H1140

Missing from this model is state authorization to create an irrevocable trust with investment authority similar to retirement boards. H1140 has been sitting in the Committee on Bills in the Third Reading since May 2007. This bill should be enacted before the current legislative session concludes at the end of July after three issues are addressed.

- Mayors and city managers should be authorized to assign responsibility for the investment of funds consistent with town board of selectmen in the bill
- Treasurers of cities over a certain population should be authorized to invest OPEB proceeds in securities permissible for retirement boards
- Municipalities should be allowed to partially fund the actuarial requirement for a period of time to encourage creation of reserves.



## THE PRACTICAL APPROACH

As a practical approach, we have developed a series of tools and resources to support you in your work.

The following sections provide an overview of the resources available to you.

Please note that these resources are intended to be used in conjunction with the other materials provided in this guide.

If you have any questions or require further assistance, please do not hesitate to contact us.



We hope that you find these resources useful and informative.

If you have any feedback or suggestions for improvement, please let us know.

We value your input and appreciate your continued support.

Thank you for your attention and we look forward to working with you.

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# Bureau Update

May 2008

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*New firefighters' contract should include operational changes in several areas*

Since last August when drug and alcohol testing was pushed to the forefront in contract talks between the Menino Administration and firefighters' union (Local 718), the Research Bureau has argued that annual drug and alcohol testing should be a statewide requirement for all uniformed public safety employees and not be subject to collective bargaining. That position seemed to get some traction when a docket was filed in the Legislature requiring drug and alcohol testing but the filing appears to be as far as the bill will go.

In early April, Representative Christopher Donelan (D-Orange) filed a docket that would require all Massachusetts public safety personnel to submit to random drug and alcohol testing. [A docket is a precursor to a written bill] This requirement would apply to police officers, firefighters and emergency medical technicians. The filing received media coverage and editorial support. However, the filing was submitted at the request of a constituent and no bill has been drafted according to Donelan's office.

Local 718 has publicly stated that it is willing to negotiate drug testing in a new contract. That point was reinforced by the union member on the state Joint Labor-Management Committee who has insisted that random mandatory drug and alcohol testing should not be included in arbitration proceedings and instead be negotiated

between Local 718 and the Administration. The union does not want arbitration to become the vehicle for municipalities to achieve drug testing and believes negotiating drug testing with the Mayor will produce a more favorable salary agreement in return.

Over the past seven years, the fiscal climate for Boston has tightened dramatically requiring the City to become more efficient in service delivery. Yet during this time, there have been no language changes in the firefighters' contract. The 2004 contract, settled through an arbitrator's decision, involved only increases in salary and paid detail hourly rates. That is why it is so important that this new contract include management reform language addressing issues such as shift swapping, acting out of grade, sick leave, vehicle maintenance, civilianization, modified (light) duty and health insurance reform in addition to drug and alcohol testing.

Bringing the contract to arbitration will limit the issues addressed, which is why settling this dispute through mediation is in the best interest of both the City and firefighters. The recent Boston Police Patrolmen Association's contract that included significant language changes with a salary increase of 14% over four years is the standard that should be followed for the contract with Local 718.



May 2008

## The Greening of Boston

*City takes action to reduce threat of climate change and bring efficiencies to operations*

Popular Science magazine recently ranked the 50 “greenest cities” based on factors such as their use of alternative energy, transit and carpooling, green building techniques and waste recycling. The City of Boston ranked third in the survey which may have surprised many in the area. Portland, OR and San Francisco, CA ranked one and two respectively and Cambridge, MA was sixth.

A closer look at the greening of Boston has identified a series of policies that have been instituted to make Boston a more environmentally sustainable city over time. Energy policies applied to city operations were adopted through an Executive Order of the Mayor issued in April 2007. Selected city policies by category are shown below.

### Renewable Energy

- Require that renewal energy sources be used for 11.7% of total consumption
- Solar panels installed on the roofs of 3 schools and in FY09, solar panels will be installed on four city buildings

### Energy Conservation

- Combined heat and power units were installed in 26 schools resulting in an \$8M annually in avoided cost savings
- Installed light emitting diode (LED) bulbs in all traffic signal lights that are 90% more energy efficient
- Capital spending for energy efficient HVAC retrofit for municipal buildings
- Installed demonstration green roof project on City Hall balconies

### Green Buildings

- Use zoning (Article 80B) to require private development projects over 50,000 sq. ft. to follow the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) standards
- New or renovated municipal buildings are required to meet Silver LEED standards
- New projects to exceed basic standard for energy performance by 14% and major renovations to exceed standard by 7%

### Alternative Fuels

- All new city vehicles are required to be hybrid or other alternative fuel vehicles
- Diesel fuel for city vehicles shall be at least 5% biodiesel

### Climate Action

- Established goal to reduce greenhouse gas emissions (GHG) by 7% below 1990 levels by 2012
- Long-term goal to reduce emissions by 80% below 1990 levels by 2050
- Plant 100,000 trees in Boston by 2020

### Recycling

- Recycling of all materials will be increased by 10% by 2012
- New single stream recycling pilot in South End increased recycling by 143% and decreased trash by 19% in four months



**From:** dsmith@bmr.org on behalf of Research Bureau [ebeattie@bmr.org]

**Sent:** Wednesday, June 25, 2008 11:50 AM

beattie@BMRB.org

Boston News to Use - June 2008

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# Bureau Update



June 2008

## The Status of Charter Schools in Boston

### *Demand exceeds available seats; price to BPS is high*

Charter schools have helped invigorate public education with creative alternatives for instruction and governance and as incentives for public schools improvement. Presently, Boston has reached its limit of charter schools while 7,277 students are on the waiting list. [MORE>](#)

## Boston Leads All Cities in NIH Research Grants

### *Nonprofit Institutions in City received \$1.6B in fiscal 2007*

Boston

's share of total funding nationally was 7.7% according to a recent report by the Boston Redevelopment Authority's Research Division. [MORE>](#)

## Boston's FY09 - FY13 Capital Plan

### *Capital agenda remains active in five-year \$1.5B plan*

The Mayor's recommended five-year \$1.5B capital plan continues an active infrastructure investment program during this period of financial uncertainty. Indeed, the plan calls for the City to continue to issue \$120M of General Obligation (GO) bonds in each of the next five years (FY09-FY13). [MORE>](#)

## Boston Metro Area Ranks High in Education Impact

### *Boston area ranks in top four out of 50 largest metropolitan areas*

The fact that Boston and the regional economy benefit significantly from the institutions of higher education in the area is a well known fact. A May 2008 study released by the Atlanta Regional Council for Higher Education (ARCHE) provides a comparative view of the collective resources available to the top 50 metropolitan regions from their local colleges and universities and reaffirms Boston's predominate position. [MORE>](#)

## Fire Commissioner Appoints Two Civilian Deputies

### *Stronger management capacity responsive to Commissioner is objective*

6/25/2008

6/25/2008



Fire Commissioner Rod Fraser appointed veteran city officials to two newly created civilian Deputy Commissioner positions on June 10, 2008. Execution of the duties of these two positions should improve the administration and management of the Fire Department and strengthen the Commissioner's management authority. [MORE>](#)

## BUREAU NEWS

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### *Welcome new Directors*

The Bureau is pleased to welcome 3 new Directors to the Board this June.

*Lawrence Curtis*, Managing Director  
Winn Development

*Matthew B. LeBretton*, Esq.  
LeBretton & Associates, LLP

*David A. Passafaro*, Vice President and Director  
of Business Development  
William A. Berry & Son, Inc.

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# Bureau Update



June 2008

## The Status of Charter Schools in Boston

*Demand exceeds available seats; price to BPS is high*

Charter schools have helped invigorate public education with creative alternatives for instruction and governance and as incentives for public schools improvement. Presently, Boston has reached its limit of charter schools while 7,277 students are on the waiting list.

Students living in Boston now have an option of 16 charter schools in the City of two types: Commonwealth and Horace Mann schools.

- Commonwealth charter schools (14) operate independently of local school regulations and union contract rules. They are regulated by the state Board of Education and receive their public funding from the sending district's state aid for education (Ch 70) based on a per pupil tuition.
- Horace Mann charter schools (2) must be approved by the local school board and teachers' union, are funded through the district's school budget, but otherwise have similar benefits of charter schools.

A larger number of students are on the waiting list for Commonwealth charters in Boston than are enrolled for the 2008-2009 school year.

- 5,254 students enrolled
- 7,277 students on waiting list

State education aid follows the student which means that Boston's Ch. 70 state aid is assessed based on the number of Boston students attending Commonwealth charter schools and that aid is allocated to those schools. The tuition loss to Boston for each student is phased out over a three-year period through a declining receipt of a state reimbursement. The net aid loss to Boston in FY08 is shown in the table.

### Charter School Assessment, FY08 In millions

Charter School Tuition	\$58.5
Charter School Reimbursement	\$14.6
<b>Net Impact</b>	<b>(\$43.8)</b>

The number of Commonwealth charter schools is limited by state law by three separate caps.

- Maximum of 72 Commonwealth charter school statewide - 54 operate now
- Cap of 4% of statewide public school enrollment - currently at 2.6%
- School Districts cannot spend more than 9% of their net school spending (NSS) on Commonwealth charter tuition.

With the opening of a new charter school in Dorchester in the fall of 2009, Boston is just below its district cap to a point that the state Department of Elementary and Secondary Education (ESE) is no longer accepting applications for Commonwealth charters that include Boston in its sending regions. ESE estimates that Boston will spend 8% of its NSS toward charter school tuition, leaving approximately 111 open seats.

Charter schools should continue to be an educational option for Boston parents and students. A reassessment of the charter school cap in Boston and the current funding formula should be considered along with how the cap would be impacted by the Governor's proposal for Readiness Schools.

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# Bureau Update



June 2008

## Boston Leads All Cities in NIH Research Grants

*Nonprofit Institutions in City received \$1.6B in fiscal 2007*

Boston received \$1.6B in National Institutes of Health (NIH) research grants in FY07 which marked the 14<sup>th</sup> consecutive year the city topped all cities in the United States. Boston's share of total funding nationally was 7.7% according to a recent report by the Boston Redevelopment Authority's Research Division. That share equaled its share in FY06 and increased by 7.0% over its FY05 level. Boston has maintained its leadership in NIH funds even while other cities have become increasingly competitive in seeking these grants and total NIH funding levels have decreased.

The National Institutes of Health is the primary agency in the United States responsible for biomedical and health-related research with total funding nationally of about \$21B.

Boston's success in securing NIH research funding is a testament to the quality of its "world-renowned" tax-exempt hospitals, universities and research institutions. These institutions are given credit in the BRA's report for providing "a crucial underpinning to the economy of Boston and the entire region." The importance of the Longwood Medical Area (LMA) to Boston's economy is evident by the fact that collectively institutions in this area received \$943M in NIH grants in FY07.

With \$1.6B in NIH funding, Boston topped New York City, Philadelphia, Baltimore and Seattle. In fact, Boston's lead over New York City has increased from \$14M in FY02 to \$315M in FY07. If the LMA were a city, it would have ranked third in FY07.

Boston's hospitals received more than 60% of the City's NIH funding in FY07. The top seven hospitals by grant amount are shown below.

### FY07 NIH Grants to Boston Hospitals

In millions

Hospital/Medical Center	Grant
Massachusetts General	\$303.3
Brigham and Women's	\$259.7
Dana-Farber Cancer Institute	\$132.8
Beth Israel Deaconess	\$113.5
Boston Children's	\$100.7
Boston Medical Center	\$34.7
New England Medical Center	\$33.0

Boston's colleges and universities accounted for over \$515M or almost one-third of the 2007 NIH funding. The top two schools were Harvard Medical School (\$172.1M) and BU Medical School (\$119.9M).

To read the full two-page BRA report, go to: [www.cityofboston.gov/bra/pdr/pdr.asp](http://www.cityofboston.gov/bra/pdr/pdr.asp)



# Bureau Update



June 2008

## Boston's FY09 - FY13 Capital Plan

*Capital agenda remains active in five-year \$1.5B plan*

The Mayor's recommended five-year \$1.5B capital plan continues an active infrastructure investment program during this period of financial uncertainty. Indeed, the plan calls for the City to continue to issue \$120M of General Obligation (GO) bonds in each of the next five years (FY09-FY13). This year's capital plan identifies 359 new and continuing projects and proposes \$149.2M in new project authorizations. Debt service costs will remain within the standard 7% of operating expenditures.

GO bonds represent 61.2% of capital funding for this budget followed by federal sources (16.3%), state funds (14.5%) and trust and other funds (8%).

Six areas represent 88.2% of total capital spending over the next five years. They are:

City of Boston Capital Spending	
FY09-FY13	
Department	Percent
Public Works	43.3%
School	16.9%
Parks and Recreation	10.2%
Public Safety	7.6%
Property Const. Mgt.	5.5%
Library	4.7%
Other	11.8%
<b>Total</b>	<b>100.0%</b>

Some of the projects that will be completed and opened in FY09 include:

- Burke High School Addition with community center and a new Grove Hall branch library
- Mattapan Branch Library (new)
- Fire Academy training simulator at Moon Island (new burn building)
- Charlestown Police Station (new)
- Hyde Park Community Center
- Hemenway School
- A consolidated records center and materials storage facility for the City's Boston Archives and Records Management Center and the Boston Public Library in West Roxbury

The budget includes \$2M to begin study of the Mayor's proposed new City Hall at Piers 5 & 6 at the Boston Marine Industrial Park. The investigation and engineering services do not extend beyond determining the feasibility of major construction at the site.

Dudley Square continues as a focus of the capital budget with work on a new police station and incorporating a renovated Ferdinand Building into a new municipal building. Energy efficiency measures and new technology in the capital budget will improve operations. A new capital mapping section with search features is now available on the City's website.

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## INTRODUCTION

The following pages contain a brief history of the

development of the art of printing in the United States.

They also contain a list of the principal books

on printing and a bibliography of the same.

The author wishes to thank the publishers of

the books mentioned for their permission to

use them in this compilation, and to thank the

members of the American Library Association

for their help in the preparation of the list.

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# Bureau Update



June 2008

## Boston Metro Area Ranks High in Education Impact

*Boston area ranks in top four out of 50 largest metropolitan areas*

The fact that Boston and the regional economy benefit significantly from the institutions of higher education in the area is a well known fact. A May 2008 study released by the Atlanta Regional Council for Higher Education (ARCHE) provides a comparative view of the collective resources available to the top 50 metropolitan regions from their local colleges and universities and reaffirms Boston's predominate position. The study considers the leveraging of the higher education resources as key to promoting economic prosperity, educating a skilled workforce and improving the quality of life.

ARCHE is a nonprofit organization created to strengthen government and business support for higher education in the Atlanta region. Its study measures higher education activity in the top 50 Metropolitan Statistical Areas (MSA) of the country. The higher education data is from the U.S. Department of Education for 2005. In the statistical profiles that are created in the study, Boston generally ranks in the top four. The one area that Boston scores low is for enrollment diversity. The rankings are based on absolute numbers, but were they adjusted on a per capita basis; Boston's rankings would be even higher.

The various profiles and the Boston MSA rank according to this study are shown to the right.

**Higher Education Rank In Top 50 MSAs**

Statistical Profile Category	Boston Rank
Total student enrollment	4
Faculty/staff employed	4
Federal grants/contracts	1
Research expenditures	1
Total higher education expenditures	3
Diversity of enrollment	15
Degrees awarded	
Physical sciences	1
Biological/life sciences	2
Health/clinical sciences	3
Math/statistics	4
Business/management	4
Engineering	2
Computer/information sciences	6
English/literature	2
Education	3
Theology	8
Total Degrees	4

More information about ARCHE and the statistical profiles can be found at [www.atlantahighered.org](http://www.atlantahighered.org).



# Bureau Update



June 2008

## Fire Commissioner Appoints Two Civilian Deputies

*Stronger management capacity responsive to Commissioner is objective*

Fire Commissioner Rod Fraser appointed veteran city officials to two newly created civilian Deputy Commissioner positions on June 10, 2008. Execution of the duties of these two positions should improve the administration and management of the Fire Department and strengthen the Commissioner's management authority. By creating and filling these two positions, the Commissioner has implemented another recommendation of the Fire Review Panel chaired by James Shannon which released its report on November 30, 2007.

The two positions created are the Deputy Commissioner for Administration and Finance and Deputy Commissioner for Labor and Management. The former position represents a reconfiguration of the Office of Administrative Services in the BFD and Kathleen Kirleis, the head of this office for the past three years was appointed as Deputy Commissioner. The Labor and Management Office represents a restructuring of the vacant position of Legal Advisor and Karen Glasgow, the Senior Assistant Corporation Counsel who served in the City's Law Department for nine years, was appointed as Deputy Commissioner. The Review Panel also recommended the creation of the Office of Planning and Organizational Development to be headed by a civilian Deputy Commissioner who has yet to be appointed.

The general areas of responsibility for the two new offices are shown below:

### Administration and Finance

- Maintenance
- Payroll Services
- Budget & Finance
- Purchasing

### Labor and Management

- Personnel
- Human Resources
- Legal Affairs
- Medical Office
- Labor Relations

The creation of these two positions reflects the importance of the Commissioner being able to establish a management structure responsive to him and separate from the union. In the BFD, except for the Chief of Department and the two Deputy Chiefs for Field Services and Support Services, all uniformed personnel belong to the same union, Local 718, whether they are Deputy Chief, District Chief, Lieutenant or firefighter.

There still exists a significant contrast between the management structure of the Boston Police and Fire Departments, indicating that further changes in the BFD management and union structure are warranted to best serve the citizens and taxpayers of the city.



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X1  
BMR  
39



# Area Update

July/August 2008

## No End in Sight for Boston Firefighters' Contract

*Negotiations or JLMC actions may go through next spring*

It now seems plausible that the collective bargaining contract between the Menino Administration and the firefighters' union, Local 718 (approximately 1,600 members) may not be settled until next spring. [MORE>](#)

## Boston Retirement System's Investment Returns

*Annualized returns fall below state performance*

The investment performance of the State-Boston Retirement System (SBRS) in 2007 exceeded its target but was not as strong as achieved by the Commonwealth's Pension Reserves Investment Trust (PRIT) or the State Employees' and State Teachers' Retirement Systems. [MORE>](#)

## Fire Strategic Planning Committee Report

*First SPC Quarterly Report points to positive implementation*

Fire Commissioner Rod Fraser has issued the first Quarterly Report of the Department's Strategic Planning Committee which highlights six steps for departmental improvement that have been implemented this year. The report also notes nine other recommendations that are in the process of being implemented, all based on the report issued by the Fire Department Independent Review Panel on November 30, 2007. [MORE>](#)

## Interactive Mapping Applied to Capital Plan

*New web feature provides a bird's eye view of capital spending*

The City of Boston's five-year \$1.5B capital plan can now be visualized on your computer screen through the City's Geographic Information Services (GIS) link on the City's homepage. This addition to the City's mapping application allows internet users to pinpoint facility capital projects on an interactive city map while obtaining details on project goals, progress, and funding sources. [MORE>](#)

## Mayor Appoints O'Neill to School Committee

*Banking professional has long history with BPS and at-risk youth*

On July 7<sup>th</sup>, Mayor Thomas M. Menino appointed Michael D. O'Neill to the Boston School Committee for a term

8/14/2008



which began on July 15th. Mr. O'Neill will complete the remaining unexpired term of Michele Brooks which ends on January 5, 2009. [MORE>](#)

## The Growing Importance of Boston's Foreign-Born Population

*Access to quality education and English proficiency is critical*

More than 151,000 foreign-born residents are living in Boston, and nearly half of them emigrated during the previous decade. Foreign-born residents account for 26% of the City's total population and hail from more than 100 countries according to a report by the Boston Redevelopment Authority (BRA). [MORE>](#)

## BUREAU NEWS

A special thank you to our **Cabinet Members** for their generous support:

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Boston Municipal Research Bureau ¶ 333 Washington Street ¶ Boston, MA ¶ 02108  
[www.bmrb.org](http://www.bmrb.org)



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X1  
BMR  
39

# Bureau Update



July/August 2008

## No End in Sight for Boston Firefighters' Contract

*Negotiations or JLMC actions may go through next spring*

It now seems plausible that the collective bargaining contract between the Menino Administration and the firefighters' union, Local 718 (approximately 1,600 members) may not be settled until next spring. The Menino Administration has been in negotiations for a new contract with the firefighters, Local 718 for 32 months, since December 2005. The collective bargaining contract between the City and Local 718 expired over two years ago on June 30, 2006, but its provisions remain in force until superseded by a new contract.

The delay in reaching a timely settlement of this contract points to the union's unrealistic financial demands and to problems stemming from outdated state laws and practices that do not meet the needs of public management in today's fiscal environment.

After 21 unproductive bargaining sessions over 20 months, the City petitioned the state Joint Labor-Management Committee (JLMC) to take jurisdiction of the dispute on August 1, 2007. That did not happen until 6 months later and the process is still in mediation with the possibility of arbitration still ahead.

Mandatory annual drug and alcohol testing has become a key issue in this new contract but there are several other operational measures that need to be addressed in the new agreement. No changes in the language of the firefighters' contract have been made in seven years, but several management problems have emerged that now require contract changes. For more information on this matter, click here [≤MORE≥](#)

A chronology of the major steps in the firefighter negotiations is provided below to help explain the delay of a settlement:

December, 2005	Negotiations began
August 1, 2007	City petitioned JLMC to take jurisdiction of dispute
February 7, 2008	JLMC took case
February 27, 2008	JLMC held first mediation session led by its staff
April 30, 2008	JLMC could not vote to move to arbitration because firefighter member was not at meeting
May 8, 2008	JLMC voted to move to arbitration but did not set date for 3A hearing to begin the process
May 16, 2008	First mediation session (of 5 so far) held with a private mediator outside of the JLMC
<b>Arbitration process expected to be initiated soon after JLMC publicly sets 3A hearing date.</b>	

## Unsettled Police Contract

The firefighters are not the only public safety union without a contract. The Boston Police Superior Officers union (260 Sergeants, Lieutenants & Captains) is currently engaged in mediation with the Administration under the jurisdiction of the JLMC. This is the highest paid city union whose contract expired on June 30, 2006.



GOVDOC  
X1  
BMC  
59

# Bureau Update



July/August 2008

## Boston Retirement System's Investment Returns

*Annualized returns fall below state performance*

The investment performance of the State-Boston Retirement System (SBRS) in 2007 exceeded its target but was not as strong as achieved by the Commonwealth's Pension Reserves Investment Trust (PRIT) or the State Employees' and State Teachers' Retirement Systems. The 2007 Annual Report of the state's Public Employee Retirement Administration Commission (PIERAC) showed that the SBRS ended the year with an investment return of 10.39% which topped its target of 8.73%. However, as shown below, the investment returns in 2007 of the two state funds exceeded the SBRS' return by as much as 1.66%.

With the SBRS' assets of \$4.1B as of January 1, 2007, this investment differential can make a significant difference (\$68.7M) in the investment income generated and what the City must appropriate from its own sources to fund its annual pension requirement. Boston's pension appropriation in FY09 is \$213.2M, an increase of 10.3M from last year.

Retirement System Financial Comparison			
Category	SBRS	State	PRIM
Market Value	\$4.5B	\$22.5B	\$53.7B
2007 Return	10.39%	12.05%	11.90%
5-Year Annualized	13.71%	16.41%	16.31%
10-Year Annualized	8.08%	9.91%	9.88%
23-Year Annualized	10.43%	11.37%	11.52%

A further comparison of annualized investment returns over 5, 10 and 23-year

periods shows higher returns for the state systems. The market value of assets in 2007 under control of PRIM is \$53.7B compared with the SBRS' assets of \$4.5B. The SBRS does have the ability to transfer all or a portion of its assets to be managed by PRIT (Ch. 32, s. 22) but has not done so.

Last year, legislation was enacted that authorized PIERAC to identify underperforming retirement systems through an established standard and require them to transfer their assets to the PRIT fund (Ch.68, Acts of 2007). A system is underperforming if (1) it is less than 65% funded and (2) its investment performance on an annualized basis has been less than the PRIT fund by 2% over the previous ten years. The SBRS' funded ratio as of January 1, 2007 is 66.5%. The Commonwealth's blended rate for state employees and teachers is 75.2%

**Teachers** - Boston is the only municipality that funds its teachers' retirement expenses from its operating budget and the next year is reimbursed slightly less than 100% by the state through its Cherry Sheet aid. For several years, discussions have been held among city, state and pension agency officials about how to address this matter. One viable option would be to bring the Boston teachers under the State Teachers' Retirement System and split the investment assets appropriately. Such a move would provide management and investment benefits and would clarify Boston's true state aid position.

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## 100. *Chlorophytum comosum* (L.) Willd.

Common Name: *Spider Plant*, *Chlorophytum*

Family: *Liliaceae* (Lily Family)

Botanical Description: This is a clumped, terrestrial plant with long, thin, strap-like leaves.

Ecological Notes: It is found in various habitats, including grassy areas, along roadsides, and in open woodlands.

Conservation Status: Not listed as threatened or endangered.

Notes: The common name "Spider Plant" refers to the fact that it produces small, separate plants (offshoots) that resemble the parent plant.

References: *Flora of North America*, *Flora of the Southeastern United States*.

Author: [Signature]

Date: [Date]

Location: [Location]

Comments: [Comments]

Other Information: [Other Information]

Notes: [Notes]

Author: [Signature]

Date: [Date]

Location: [Location]

Comments: [Comments]

Other Information: [Other Information]

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Author: [Signature]

Date: [Date]

Location: [Location]

Comments: [Comments]

Other Information: [Other Information]

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XI  
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89

# Bureau Update



July/August 2008

## Fire Strategic Planning Committee Report

*First SPC Quarterly Report points to positive implementation*

Fire Commissioner Rod Fraser has issued the first Quarterly Report of the Department's Strategic Planning Committee which highlights six steps for departmental improvement that have been implemented this year. The report also notes nine other recommendations that are in the process of being implemented, all based on the report issued by the Fire Department Independent Review Panel on November 30, 2007. This Panel was appointed by the Mayor in October, 2007 and was chaired by former Congressman James Shannon, President of the National Fire Protection Association.

The four-page quarterly report presents more of an outline of accomplishments and ongoing work underway to implement the recommendations of the Fire Panel. The public reporting and implementation of recommendations from a Fire Department study is a welcome change from prior responses to fire studies in 1995 and 2000.

Implementation of some recommendations has not come without difficulty or challenge from the firefighters' union, Local 718. Other steps that have been implemented seem so basic in 2008 that they indicate how far the Fire Department still has to go to reach the management and operational standards of leading major city fire departments.

The first recommendation of the Fire Panel to establish a Strategic Planning Committee met with fierce resistance when the Commissioner insisted on appointing the union members

rather than the President of the union. All union members except one Lieutenant resigned from the Committee.

The six completed recommendations are:

- Establishment of a Strategic Planning Committee with a focus initially on implementing the Panel's suggestions. The Panel made a total of 25 recommendations for consideration.
- Creation of the civilian position of Deputy Commissioner for Administration and Finance.
- Reinstatement of a system of formal daily roll-calls at each fire station.
- Development of a program of monthly station inspections by the District Chief.
- Creation of annual operating budgets for every division and staff element.
- Creation of a credentialed professional development academy program for company-level and chief-level officers.

Since this report was issued, a civilian position of Deputy Commissioner for Labor and Management was created. Local 718 has filed a grievance regarding this new position. Both new civilian positions represent an effort to create a management structure responsive to the Fire Commissioner.

Panel recommendations in the process of being implemented involve such issues as shift swapping, pre-employment psychological testing, updated personnel reporting data bases and psychological screening and services.

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# Bureau Update

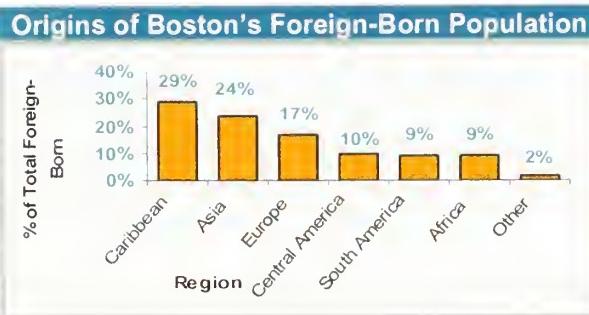
July/August 2008

## The Growing Importance of Boston's Foreign-Born Population

*Access to quality education and English proficiency is critical*

More than 151,000 foreign-born residents are living in Boston, and nearly half of them emigrated during the previous decade. Foreign-born residents account for 26% of the City's total population and hail from more than 100 countries according to a report by the Boston Redevelopment Authority (BRA). Boston's immigrants generate more than \$3B in economic spending annually, and will account for an increasing share of the City's workforce growth. How foreign-born residents will contribute to Boston's future will depend on their access to quality education and acquisition of English proficiency.

Boston's immigrant stock is historically of European origin, but those arriving over the past decade have been largely representative of:



The five Boston neighborhoods that have undergone the most significant changes in population composition from 1990 to 2000 are listed below.

### Areas of Highest Foreign-Born Growth

Neighborhood	Predominant Ethnicity
East Boston	Latino
Roslindale	Latino, Haitian
Allston-Brighton	Chinese, Russian, Brazilian
Dorchester	Haitian, Vietnamese
Hyde Park	Latino, Haitian

Foreign-born residents also contribute to the city and region's workforce and fiscal strength, working in a variety of fields and contributing to spending and tax revenues, while also creating jobs.

### Foreign-Born Occupations

Occupation	Percent
Managerial/Professional	27%
Technical, Sales, Admin. Support	26%
Services	24%
Construction, Extraction, Transport	10%
Other	13%

According to the BRA report, the spirit of entrepreneurship is strong with foreign-born residents as many immigrants and their families own small businesses which contribute to renewal in many of the city neighborhoods. Immigrant households are also the fastest-growing segment of the housing market, a trend that is expected to continue over the next several years.

Despite these indicators, Boston's immigrant population is having difficulty attaining a middle-class lifestyle. Approximately 27% of immigrants have achieved this standard, compared to 46% of Boston's native-born population.

By 2000, more than a third of the City's population spoke a language other than English, with Spanish being the most common language spoken. This diversity of language is reflected in the Boston Public Schools, where in 2004, 44% of the students either spoke a language other than English or another language in addition to English. To read the full BRA report, click here [<MORE>](#)

6

6

6

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X1  
BMC  
39



# Bureau Update

October 2008

## ✓ School Pathways Plan – Good Start But More Savings Needed

*With state aid looming, first year savings total only \$3.1M*

To provide more resources for improving academic achievement, Superintendent Carol Johnson submitted her revised “Pathways to Excellence” plan to the School Committee on October 29<sup>th</sup>. The plan to create savings in school operations centers on restructuring, consolidating and closing schools and revising transportation guidelines without major changes to the student assignment policy. [MORE>](#)

## ✓ How Boston Fares In National Economic Turmoil

*City's conservative financial approach pays dividends in uncertain times*

The national economic crisis has led to a dramatic change in the makeup of financial institutions, a volatile stock market, the \$700B bailout bill, continued economic uncertainty and a tightening of the credit market. In this environment, some cities and even states have had difficulty gaining access to the bond market which has raised questions about Boston’s financial position. It is in times like these that the conservative nature of the City’s fiscal policies will prove beneficial and protect Boston from problems other cities may face [MORE>](#)

## ✓ A Renewed Look at Boston’s Retiree Health Insurance Costs

*Segregated trust and Medicare enrollment receive new interest*

In last month’s *Bureau Update*, the Research Bureau reported that Boston’s retiree health insurance actuarial liability (OPEB) increased to \$3.1B as of June 30, 2007 on a prefunded basis. Two related issues that emerged recently in public discussion deserve further comment. [MORE>](#)

## ✓ When Will JLMC Act on Boston Firefighters’ Contract?

*State committee was established to resolve disputes, not extend them*

The state Joint Labor-Management Committee (JLMC) took jurisdiction of the City of Boston’s contract dispute with firefighters IAFF Local 718 on February 7, 2008. Almost ten months later, there is still no resolution to this case, nor any indication of what issues an arbitrator would address or what form of arbitration would be utilized. [MORE>](#)

## BUREAU NEWS

11/5/2008



# Bureau Update



October 2008

## School Pathways Plan – Good Start But More Savings Needed

*With state aid cuts looming, first year savings total only \$3.1M*

To provide more resources for improving academic achievement, Superintendent Carol Johnson submitted her revised “Pathways to Excellence” plan to the School Committee on October 29<sup>th</sup>. The plan to create savings in school operations centers on restructuring, consolidating and closing schools and revising transportation guidelines without major changes to the student assignment policy. The plan is projected to achieve a cumulative savings of \$27.8M over five years but only \$3.1M next year.

The School Committee will vote on this plan at its November 5<sup>th</sup> meeting, but the Superintendent and Committee members should be prepared to deal with even greater budget cuts for the next school year. State aid cuts are inevitable in FY10 given the state of the Massachusetts economy.

The Pathways plan was developed because:

- Savings will fund high quality programs to improve academic achievement and meet student needs.
- This year’s school budget is supported by a one-time \$10M reserve that will not be available in FY10. The reserve was approved to give the Superintendent time to develop her operational savings plan.
- School collective bargaining costs from salary and step increases alone will grow by approximately \$30M in FY10.
- The Department must adjust to an 11.1% decline in student enrollment since 2002.

The School Department is too big to not be directly affected by a loss of local aid. The FY09 budget represents 34% of the City’s operating

budget and 51% of departmental spending. Local aid cuts in FY03-FY04 resulted in the School Department accounting for 47% of the total city employee reduction of 1,522.

### School Spending FY04-FY09

In Millions

Category	FY04	FY09 Budget	Change	% Change
Salaries	\$437.8	\$543.7	\$105.9	24%
Benefits	83.7	116.6	32.8	39%
Property Serv.	35.9	44.4	8.5	24%
Transportation	55.6	69.8	14.2	26%
Purchased Serv.	33.7	41.5	7.8	23%
Other	9.9	17.2	7.3	73%
<b>Total Schools</b>	<b>\$657</b>	<b>\$833</b>	<b>\$177</b>	<b>27%</b>
<b>Total City Spending</b>	<b>\$1,888</b>	<b>\$2,420</b>	<b>\$532</b>	<b>28%</b>
% of Total City Spending	34.8%	34.4%	--	--

Over the past five years, school spending has increased steadily by a total of 27%, for an average annual increase of 4.9%. School personnel numbers have returned to 99.3% of 2002 levels, even though enrollment decreased by almost 7,000 students since 2002.

### School Personnel Trends

In FTE's

1/02	1/04	1/08	Change 02-04	Change 04-08	Change 02-08
8,509	7,793	8,451	(717)	659	(58)

The Superintendent’s Pathways plan is only the first round of budget cuts and savings that will be required to achieve a balanced budget next year.



# Bureau Update



October 2008

## How Boston Fares In National Economic Turmoil

*City's conservative financial approach pays dividends in uncertain times*

The national economic crisis has led to a dramatic change in the makeup of financial institutions, a volatile stock market, the \$700B bailout bill, continued economic uncertainty and a tightening of the credit market. In this environment, some cities and even states have had difficulty gaining access to the bond market which has raised questions about Boston's financial position. It is in times like these that the conservative nature of the City's fiscal policies will prove beneficial and protect Boston from problems other cities may face.

Boston normally enters the market once each year in February or March to sell General Obligation bonds to support its five-year capital budget. Thus, Boston will not need to enter the market for 4-5 months. The City has earned the highest AA credit rating from Moody's Investor Services (Aa1) and Standard & Poor's (AA+) for its strong financial management. A Boston bond issue in 2009 would be considered a quality investment, attractive to financial institutions.

The City has developed a written investment policy for daily operational receipts and bond proceeds. Investments in banks are collateralized by U.S. Government obligations and held by a third party in order to protect the principal. Limits are placed on the extent that each investment vehicle can be utilized depending on risk. Funds for daily operations are normally invested in high quality repurchase agreements and certificates of deposits. The City has stayed away from the more risky swaps and derivatives.

The rating agencies also tout Boston's "healthy" reserves in their credit reports. The most recent audit reported that Boston's General Fund undesignated fund balance on a GAAP basis was \$494.4M as of June 30, 2007. However, the amount of reserves that can be appropriated by the City is certified by the state Department of Revenue as Budgetary Fund Balance (Free Cash). The most recent certification was for \$110.2M of which the City appropriated \$35M in FY09, leaving a balance of \$75.2M. As one-time funds build up over time, this balance should be applied prudently for non-recurring expenses.

Boston is effective in its property tax collection practices and in FY08 collected 98.7% of its gross tax levy net of refunds. Debt service is limited to a conservative 7% of the City's operating budget.

The picture for Boston is not all positive as this year's revenue collections for motor vehicle excise, interest on investments, parking meters and building permits are below expected levels. Spending for police overtime is projected to be substantially over the \$30.2M budget.

While these prudent fiscal policies will help Boston manage its capital and investment programs through the current economic uncertainties, they will not prevent disruption due to cuts in state aid next year. Boston relies on local aid for approximately 25% of its operating budget so any reduction will have a direct impact on basic services.



GOVDOC  
X1  
BMRB  
39

# Bureau Update



October 2008

## A Renewed Look at Boston's Retiree Health Insurance Costs

*Segregated trust and Medicare enrollment receive new interest*

In last month's *Bureau Update*, the Research Bureau reported that Boston's retiree health insurance actuarial liability (OPEB) increased to \$3.1B as of June 30, 2007 on a prefunded basis. Two related issues that emerged recently in public discussion deserve further comment.

### Segregated Trust Advantage

The City has established a stabilization fund and has funded it with \$20M in FY08 and \$25M in FY09 intended for OPEB obligations. Boston has taken this action because the state has not passed legislation authorizing municipalities to establish irrevocable trusts to hold funds to pay for the OPEB liability. The advantages of the irrevocable trust are that the funds cannot be used for any other purpose and a higher rate of return (e.g., 8%) can be assumed by the actuary when determining the City's OPEB liability and the required annual contribution. The City does have authority to invest in higher yielding securities due to a 1983 state law. However, because a stabilization fund is not a segregated trust, amounts in the fund will not be recognized by the actuary and the actuary can only apply the City's regular investment return rate (e.g., 4.0%-4.5%) when determining the City's unfunded liability.

The Menino Administration has been engaged in this issue for a few years by seeking modifications of a bill in the Legislature (H11140) that would authorize municipalities to establish OPEB segregated reserves. The Research Bureau supports a statewide OPEB trust standard and also has suggested revisions in the bill. To learn more click here [MORE>](#). H11140 has been sitting in the House Committee on

Bills in the Third Reading since May 2007. Recently, legislative leaders have shown renewed interest in the bill and are in discussions concerning the suggested changes.

Frustrated by lack of state action, a few communities have established OPEB trusts through the home rule petition process. City Councilor Sam Yoon recently introduced a special act that would establish an OPEB trust for Boston. His plan would authorize the Treasurer to invest the funds and does not seem to require the City to adopt a formal funding schedule initially. This point would need to be defined more precisely.

### Steps to Reduce Retiree Health Costs

The increasing OPEB liability has raised again the issue of whether the City could better control health costs by requiring all eligible retirees 65 and over to enroll in Medicare. That step is not required by the City now but would be if Chapter 32, section 18 were adopted as recommended by the Research Bureau since it would provide substantial premium savings. A Research Bureau report in 2006 estimated that 1,700 eligible Boston retirees were enrolled in non-Medicare plans. Since 1991, all eligible state retirees are required to enroll in Medicare. A bill introduced by the Menino Administration in January 2007 that would require eligible retirees to enroll in Medicare prospectively is ready for the Governor's signature. By applying this option rather than adopt Section 18, the City will pass on the opportunity to achieve more substantial savings now.



# Bureau Update



October 2008

## When Will the JLMC Act on Boston Firefighters' Contract?

*State committee was established to resolve public safety disputes, not extend them*

The state Joint Labor-Management Committee (JLMC) took jurisdiction of the City of Boston's contract dispute with firefighters LAFF Local 718 on February 7, 2008. Almost ten months later, there is still no resolution to this case, nor any indication of what issues an arbitrator would address or what form of arbitration would be utilized. In a little over a month, this dispute will reach three years since negotiations began in December 2005. The contract expired on June 20, 2006, over two years ago.

The JLMC has concluded its 3(a) investigative session to hear from both parties about the issues still in dispute and their views of what issues should be considered by the arbitrator. The JLMC's three-member panel in this dispute has met once to discuss the issues to be selected and will meet privately again on Wednesday, November 5. The JLMC has scheduled a regular meeting for Thursday, November 6 at which time the panel could report which issues it will address if it has concluded discussions.

The JLMC seems determined to delay this case in hopes that the two parties would eventually negotiate a contract by themselves, thereby eliminating the need for the JLMC to act.

The issue of mandatory annual drug and alcohol testing is a key factor in this decision. The firefighters have made it clear they do not believe the JLMC should address this issue and have suggested they will go to court to prevent drug testing from being imposed through arbitration. The City has presented case history of the JLMC including drug and alcohol testing in final decisions even when it was not included in the

initial list of issues at the time when the JLMC was petitioned to take jurisdiction of the case.

This dispute came to the JLMC because the parties had reached impasse after almost two years of unproductive negotiations. Mediation sessions over nine months with JLMC staff and later a private mediator have also not been successful. The JLMC should identify the issues to be addressed and the date certain for the start of arbitration. The parties can still negotiate a contract if they are serious or await the arbitrator's decision. The Bureau continues to be concerned about the possibility that the arbitration process will limit the number of issues that actually will be addressed.

### JLMC Action in 2008

- February 7 - JLMC voted to take jurisdiction of the Boston case
- February 27 - JLMC held first mediation session
- May 8 - JLMC voted to move to arbitration but did not set date
- May – September - mediation sessions held with a private outside mediator for JLMC
- October 6 & 8 - Two closed JLMC 3(a) investigative hearing sessions to discuss dispute status & issues presented by parties
- October 10 - JLMC 3-member panel meets privately to determine issues for arbitration
- November 5 - JLMC panel will meet again to identify issues for arbitration
- November 6 - JLMC regular meeting



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Sam P.

dsmith@bmrb.org on behalf of Research Bureau [ebeattie@bmrb.org]

**Sent:** Monday, November 24, 2008 10:37 PM**To:** 'Elaine Beattie'**Subject:** BMRB: News To Use November 2008

November 2008

## Three New Pilot Schools Approved for 2009

*Plans for new Pilot schools and expansions fall short of BTU contract agreement*

At its meeting on November 19, the Boston School Committee approved the formation of three new Pilot schools, an encouraging development after the delays of the past few years. [MORE>](#)

## Boston Projects Budget Shortfall in Fiscal 2010

*Early projections do not reflect latest turmoil – bigger problem now expected*

City officials are backing away from an early estimate of a budget shortfall in the next fiscal year because national and state economic conditions have worsened and the problem is now more serious. [MORE>](#)

## Paid Detail in Boston Should Be Changed

*Detail ordinance should be amended to give the Police Commissioner flexibility*

During this economic downturn, the City of Boston should take every opportunity to reduce its own expenses and the cost of doing business in Boston where feasible. For that reason, the Research Bureau believes that the city ordinance mandating a police presence at every project requiring a street work permit should be amended. [MORE>](#)

## School “Pathways to Excellence” Plan Approved

*Thoughtful plan misses the mark in needed savings to be achieved*

The School Committee approved the last phase of Superintendent Carol Johnson’s Pathways to Excellence plan at its meeting on November 19. This plan is thoughtful, but in the current economic climate, it is not bold enough considering the full extent of budget cuts that may be required in FY10. [MORE>](#)

## Bureau News



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# Bureau Update

November 2008

## Three New Pilot Schools Approved for 2009

*Plans for new Pilot schools and expansions fall short of BTU contract agreement*

At its meeting on November 19, the Boston School Committee approved the formation of three new Pilot schools, an encouraging development after the delays of the past few years. However, the BTU contract provides for teacher salary increases of 14% over four years, rather than the standard 11% because of reform measures like the creation of seven new Pilot schools by September 2009. For that reason, failure to fulfill the agreement to establish seven new Pilot schools is disappointing. The three new schools will join the 20 Pilot schools that have been established since 1994.

Pilot schools enjoy autonomy from School Committee regulations and BTU contract provisions in key areas of budgeting, staffing, governance, scheduling, and school-based curriculum and assessment. This flexibility allows Pilots' Governing Boards to hire staff, structure longer days, establish their own curriculum and assessments, and exercise budget flexibility in allocating funds. Pilots must administer standardized tests like MCAS, meet state and federal requirements and undergo Quality Review evaluations every five years.

BPS Pilot Schools	
Level	Amount
Elementary	4
Elem./Middle (K-8)	4
Middle	2
Middle/High (6-12)	1
High	9
<b>Total</b>	<b>20</b>

Twenty Pilot schools have opened in Boston since 1995 and pilot enrollment now accounts for approximately 11.8 % of BPS total enrollment.

### New Pilot Schools

Pilot schools approved to open in 2009 include the BTU-sponsored, teacher-run K-8 school in Jamaica Plain that will start with grades K-2 and grade 6. The Mary Lyon K-8 full inclusion school in Brighton will expand its model to high school grades with a year-by-year rollout starting with grade 9 in September 2009. The high school will have its own Governing Board that will qualify as a new Pilot school. The Haley K-5 Elementary School in Roslindale will convert to a Pilot school next year with a curriculum based on the environment and the Roslindale community.

### Discovery Schools

The current BTU contract also offers the possibility of Discovery schools, which would have the curriculum/assessment and certain budget autonomy of Pilot schools but not the same governance, staffing and scheduling flexibility. These schools would enjoy autonomy from School Committee regulations but not the BTU contract provisions. For a school to be converted to Pilot status, a 66 2/3% vote of the BTU staff is required. A majority vote of the staff is required to convert to a Discovery school. At present, eight schools have applied to become Discovery schools and all received staff votes of 80% or more. The Superintendent must approve the creation of a Discovery school and her review process is in the preliminary stages.



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# Bureau Update



November 2008

## Boston Projects Budget Shortfall in Fiscal 2010

*Early projections do not reflect latest turmoil – bigger problem now expected*

City officials are backing away from an early estimate of a budget shortfall in the next fiscal year because national and state economic conditions have worsened and the problem is now more serious. Officials in August estimated a shortfall for FY10 of over \$30M but that assumed increases in state aid, interest on investments and building permits. Since then, the Federal Reserve Board has reduced the federal fund rate two times to 1.0% and the state is expected to cut local aid in FY10 as it responds to changes in state income, sales, corporate and capital gains taxes. The deteriorating financial picture makes it clear that the August shortfall estimate could be significantly increased and city and schools officials need to begin preparing for this challenge now.

After the City Council approves the next fiscal year's operating and capital budgets in June, the Administration publishes the adopted budget to reflect any changes made. Not commonly known is the fact that this budget also includes a feature not found in the Mayor's original submission - a two-year summary budget that shows the city budget just approved and a projection of the budget a year from now. That budget was finalized in August and projected a shortfall of over \$30M.

In the two prior completed fiscal years, the second year's budgets projected a small shortfall and the City ended the year with a \$15.2M surplus in FY07 and a \$15.8M surplus in FY08 due to conservative revenue estimates and spending controls. However, the original FY10 projection was tighter than in the past and revenue estimates

projected increases in accounts that will likely decrease next year.

Based on current staffing levels and expected costs for union contracts, benefits, energy and other contractual obligations and inflationary growth, total operational expenditures were projected last August to increase by over 5%. At the same time, state aid and revenue sources directly affected by the economy that were projected to increase slightly, such as motor vehicle excise and interest on investments, will likely decrease. Current talk by state leaders of a possible reduction in next year's state budget in the ballpark of 8% would translate into a cut in Boston's local aid of approximately \$40M. Next year's budget problem is getting bigger and will be more difficult to solve since some tools used to reduce spending during the last recession will not be available. The Mayor's response to this situation will be known on April 8, 2009 when he presents his recommended FY10 budget to the City Council.

### FY09 December Budget Adjustments

The City will set its FY09 tax rates in December and at that time it can adjust its revenue and spending estimates based on more current information to insure a more balanced budget. The Administration is in the process of reviewing the trends of revenue sources such as motor vehicle excise, interest on investments and building permit receipts to determine if any adjustments are needed this year. Steps to control costs through a hiring freeze were initiated by the Administration in October.

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# Bureau Update



November 2008

## Paid Detail in Boston Should Be Changed

*Detail ordinance should be amended to give the Police Commissioner flexibility*

During this economic downturn, the City of Boston should take every opportunity to reduce its own expenses and the cost of doing business in Boston where feasible. For that reason, the Research Bureau believes that the city ordinance mandating a police presence at every project requiring a street work permit should be amended. The Police Commissioner should have discretion to decide for which situations police paid detail is appropriate, such as major arteries and high traffic areas, and where civilian flaggers or digital signs would be acceptable, such as on secondary roads. Written standards should be established to guide the Commissioner in this process.

Mandatory paid detail in Boston is an expensive practice that adds over \$30M to the cost of doing business in Boston. Details are paid by businesses, ratepayers, the City itself and therefore the taxpayers.

Reform of paid detail is not supported by the police unions because the details have become an important income source for most police officers in Boston. Last year, 1,652 officers or approximately 70% of the sworn force earned a total of \$31.9 million in paid detail. The average earnings for officers working paid detail was \$19,322 in 2007. About 50% of the officers were paid between \$10,000 and \$40,000. One police officer earned \$80,761 in paid detail which represented 47% of his total earnings of \$173,792 in 2007. His base salary was \$62,680.

Paid detail hourly rates vary by rank and are augmented by a 10% administrative fee for the City's management of the program. Civilian

flagger rates are based on the prevailing wage for the type of work performed in a specific geographic region. Prevailing wages are officially set by the Commissioner of the state Department of Occupational Safety. The prevailing wage for flaggers in Boston is about 14% less than the lowest-rank police detail hourly rate in Boston as shown below.

<b>Boston Police vs. Flagger Hourly Rate</b>	
Position	Rate
Captain	\$56.10
Lieutenant	\$50.60
Sergeant	\$48.40
Police Officer	\$40.70
Civilian Flagger	\$34.85

### City Pays Paid Detail

Like businesses, the City pays for paid detail when contracting for projects such as street paving. The contractors include the paid detail costs in their invoices to the City. Boston is obligated by contract to pay the police officers their detail fees within 14 days after the job, which is usually before payment is received from the contractors. The City is not normally able to collect 100% of receipts owed, and therefore absorbs any unpaid detail expenses.

The annual paid detail expense incurred by the City is not quantified separately now but should be. Financial reporting procedures should be modified to report the City's paid detail expenses by type for each fiscal year.

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# Bureau Update



November 2008

## School “Pathways to Excellence” Plan Approved

*Thoughtful plan misses the mark in needed savings to be achieved*

The School Committee approved the last phase of Superintendent Carol Johnson’s Pathways to Excellence plan at its meeting on November 19. The purpose of the plan is to create savings in the school operations of facilities and transportation to fund more high quality educational options for parents and students in an effort to improve academic achievement.

This plan is thoughtful, but in the current economic climate, it is not bold enough considering the full extent of budget cuts that may be required in FY10. The actual savings projected to be achieved by the plan is \$25.4M over five years but only \$2.7M in FY10 with a one-time \$4.1M capital investment. The savings over five years are \$2.4M less than an earlier version of the plan as a result of modifications made following public meetings the Superintendent held throughout the city.

Approved Pathways Plan		
Category	1 <sup>st</sup> Year	5 Year
Reprogramming	(\$1.2)	(\$9.4)
Moving/Upgrades	\$0.3	\$0.3
Transportation	(\$1.7)	(\$16.4)
<b>Total</b>	<b>(\$2.7)</b>	<b>(\$25.4)</b>
One-Time Capital	\$4.1	

In the face of a national economic downturn, the financial crisis in Massachusetts has intensified, making cuts in state aid next year inevitable. State leaders are talking about reducing next year’s state budget in the

ballpark of 8%. That would mean a local aid cut for Boston of about \$40M. The School Department represents 46% of the City’s total departmental budget and is too big to not be directly impacted by budget cuts. Salary and step increases alone will increase school spending by \$30M next year, not including health insurance or energy increases. The Superintendent and School Committee will need to prepare for far greater cuts in the FY10 budget than achieved with this plan.

### Savings Components

**School Reprogramming**— To use space more efficiently while increasing access to innovative academic programs, the plan will:

- Create six new K-8 schools through consolidation.
- Relocate four schools for expansion.
- Add seats to over-chosen schools and programs in high demand while decreasing overall seat vacancy.
- Vacate six buildings for future use.

**Transportation Savings**— In an effort to control transportation costs, the plan will:

- Reduce out-of-zone transportation costs by providing more zone options for SPED students.
- Certify that all SPED students receiving door-to-door transportation are in need of this service.
- Remove citywide status of three schools.
- Examine students receiving walk zone priority and transportation services.



**From:** admin@bmrb.org on behalf of Research Bureau [ebeattie@bmrb.org]

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ay, December 22, 2008 10:29 AM

e Beattie'

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# Bureau Update

December 2008

*The Research Bureau Joins In Sending You  
Seasons Greetings and Best Wishes for the New Year*

## Fiscal 2009 Tax Rates Set

*Divergent values produce levy shift to business property*

Most homeowners will pay less in property taxes in FY09 than last year and the typical business will pay more as a consequence of the divergent values which contributed to a 4.2% increase in the business share of the tax levy.

[MORE>](#)

## Time to Reassess GIC Entry Requirements

*Limited municipal membership falls far short of property tax relief promise*

In 2007 and 2008, a total of 17 municipalities (4 cities & 13 towns) have met the conditions to join the state Group Insurance Commission (GIC) for employee health insurance coverage. When the law authorizing municipalities to join the GIC was passed in July 2007, it was touted as a means to provide property tax relief to cities and towns through savings of employee health insurance. [MORE>](#)

## Property Tax Revenues During An Economic Slowdown

*Why the tax levy will grow by 5% in FY09*

Despite the current economic slowdown, Boston's property tax revenues will grow by \$65.7M or 5% in FY09. Although this may seem counterintuitive during this time, the cause is primarily the way in which Proposition 2½ works. [MORE>](#)

## Academy Graduates Add to Police Force

*Slight decline in overall force level countered with an additional class of 30*

A police class of 37 recruits graduated on November 25, bringing the December sworn force to 2,211 officers. The Boston Police Department (BPD) experienced a net decrease of seven officers from the January 2008 level of 2,218

12/22/2008



due to higher-than-expected attrition from the starting class of 60 recruits. MORE>

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100% of the energy consumed in the building is renewable. The "super-insulated" rooms

are heated by a geothermal system, which uses the earth's natural heat to warm the building.

The building is designed to be a model of sustainable architecture and energy efficiency.

The building is a prime example of how modern technology can be used to create a more sustainable future.

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# Bureau Update



December 2008

## Fiscal 2009 Tax Rates Set

*Divergent values produce levy shift to business property*

Most homeowners will pay less in property taxes in FY09 than last year and the typical business will pay more as a consequence of the divergent values which contributed to a 4.2% increase in the business share of the tax levy. These changes will be reflected in the City's third quarter tax bills that will be mailed by year end and due February 1.

**Tax Value** - The business (commercial, industrial & personal) property value increased by \$2.2B or 7.3% when including new growth. Residential value decreased by \$1.9B or 3.2% due to the housing market slowdown and foreclosed property in selected neighborhoods. The valuation date for FY09 was January 1, 2008 which captured the market activity of 2007. The weakening in the commercial market later in 2008 will be reflected in next year's valuations.

**Tax Levy** - Business property represents 36.4% of taxable value but business now pays 63.8% of the tax levy, an increase of 4.2% over the prior year. This situation is created by a large increase in business value, a decrease in residential value and the City's use of full classification. The business share of the levy has now increased for two consecutive years following five years of annual decreases in its levy share. The levy of \$1.4B is at its maximum legal level except by a Proposition 2½ override vote.

**Tax Rates** - The business tax rate increased by 4.6% to \$27.11 per thousand dollars of value while the residential rate decreased by 3.1% to \$10.63. The business increase in value and tax rate in the same year combined to generate a \$97.3M increase in the business share of the tax levy.

Boston's Property Tax Summary Figures in 000's					
	FY07	FY08	FY09	Change FY08-09	%
<b>Taxable Value</b>					
C,I,P	\$27,222,631	\$30,679,912	\$32,921,997	\$2,242,085	7.3%
R	\$59,293,474	\$59,387,385	\$57,465,174	-\$1,922,211	-3.2%
<b>TOTAL</b>	<b>\$86,516,105</b>	<b>\$90,067,297</b>	<b>\$90,387,171</b>	<b>\$319,874</b>	<b>0.4%</b>
<b>Tax Levy</b>					
C,I,P	\$731,472	795,223	892,515	\$97,292	12.2%
R	\$538,788	539,055	507,499	-\$31,556	-5.9%
<b>TOTAL</b>	<b>\$1,270,260</b>	<b>\$1,334,278</b>	<b>\$1,400,015</b>	<b>\$65,737</b>	<b>4.9%</b>
<b>Value as % of Total</b>					
C,I,P	31.5%	34.1%	36.4%	2.4%	
R	68.5%	65.9%	63.6%	-2.4%	
<b>Levy as % of Total</b>					
C,I,P	57.6%	59.6%	63.8%	4.2%	
R	42.4%	40.4%	36.2%	-4.2%	
<b>Tax Rate</b>					
C,I,P	\$26.87	\$25.92	\$27.11	\$1.19	4.6%
R	\$10.99	\$10.97	\$10.63	(\$0.34)	-3.1%



# Bureau Update

December 2008

## Time to Reassess GIC Entry Requirements

*Limited municipal membership falls far short of property tax relief promise*

In 2007 and 2008, a total of 17 municipalities (4 cities & 13 towns) have met the conditions to join the state Group Insurance Commission (GIC) for employee health insurance coverage. That represents only 4.8% of the 351 cities and towns in Massachusetts. When the law authorizing municipalities to join the GIC was passed in July 2007, it was touted as a means to provide property tax relief to cities and towns through savings of employee health insurance.

The actual response to the legislation has fallen far short of that goal primarily due to two trends: (1) requirements to join the GIC are too difficult and (2) some communities feel they are better served in their current health care collaborative. With expected state aid cuts looming in FY10, action should be taken on two fronts.

- The enabling legislation should be amended to eliminate the preconditions for joining the GIC. A phased-in process would need to be established to accommodate administrative needs of the GIC.
- Extend to municipalities, health collaboratives and insurance pools the same administrative authority over plan design as exercised by the Commonwealth.

**Amending Existing Legislation** - The requirements for municipalities to join the GIC are difficult which may help to explain the limited response to date. Currently, municipalities interested in the GIC must enter into coalition bargaining with a committee of representatives from each employee union, each with a weighted

vote based on their members' participation in the health insurance system. The municipality and employee committee must negotiate conditions for entering the GIC and 70% of the unions' weighted vote must support the move to the GIC.

**Administrative Authority** - Since 1955, the state, through the GIC, has had administrative control over plan design of its employee health insurance including decisions on co-pay and deductibles. By contrast, municipalities have been required to negotiate all aspects of employee health insurance with each of their employee unions before any change could be made. Control over plan design is the critical distinction that has allowed the state to provide employee health insurance at a lower cost than Boston and other municipalities over time. From FY01 to FY07, Boston's employee health insurance costs increased by 92% while the state costs increased by 61%.

Some communities may feel they are better served in their health collaboratives or insurance pools, which is why there is a push to extend plan design to these groups and large cities. Several municipalities are closely tied to Blue Cross Blue Shield which has not offered plans to the GIC but has developed its own lower cost plans for cities and towns.

Health insurance spending continues to increase at a faster pace than revenue growth, creating an unsustainable situation. Real reform that will benefit all or most municipalities should be a top priority of the Governor and Legislature in 2009.



# Bureau Update



December 2008

## Property Tax Revenues During An Economic Slowdown

### *Why the tax levy will grow by 5% in FY09*

Despite the current economic slowdown, Boston's property tax revenues will grow by \$65.7M or 5% in FY09. Although this may seem counterintuitive during this time, the cause is primarily the way in which Proposition 2½ works. The structure of Proposition 2½ enables the City to increase overall property tax revenues even when property values produce limited growth or decline. The annual changes in assessed values and tax rates combine to ensure that each year the tax levy increase does not exceed the limitations established in Proposition 2½.

Proposition 2½ places constraints on the total amount of the levy the City can raise from real and personal property as well as how much it can be increased from year to year. These limitations are established through a **levy ceiling** and a **levy limit**.

The **levy ceiling** is the primary limitation of Proposition 2½, which states that the property tax levy cannot exceed 2.5% of the total full and fair cash valuation of all taxable real and personal property. This is not parcel specific, but applies to the levy as a whole. Boston's total taxable value in FY09 is \$90.4B which establishes the levy ceiling at \$2.3B.

The **levy limit** prohibits the property tax levy from exceeding the previous year's levy limit by more than 2.5%, with increases allowed for additions to the tax base through new

construction (new growth) or major renovations. The levy limit must be below the levy ceiling. Even when taxable assessed values are flat or decrease the City is able to increase its annual tax levy by 2.5% as long as the levy limit is below the levy ceiling. The FY09 levy is \$1.4B which is approximately \$859.7M below the levy ceiling. The increase in the FY09 levy is evenly attributable to the 2.5% levy increase of \$32.9M and new growth of \$32.8M.

The annual changes in assessed values and tax rates combine to ensure that each year the tax levy increase does not exceed 2.5%. In years of strong property value appreciation, the tax rates will be reduced and in years of more moderate value growth or decline the tax rates will be increased to ensure the prior year levy does not exceed the 2.5% increase. Thus in a time of robust economic growth the City is not able to capture the full extent of the value increase in the tax levy. For Boston, what changes is how the burden is shifted from year to year between business and residential properties.

For more on the FY09 tax rate for Boston, [click here](#).



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# Bureau Update



December 2008

## Academy Graduates Add to Police Force

*Slight decline in overall force level countered with an additional class of 30*

A police class of 37 recruits graduated on November 25, bringing the December sworn force to 2,211 officers. The Boston Police Department (BPD) experienced a net decrease of 7 officers from the January 2008 level of 2,218 due to higher-than-expected attrition from the starting class of 60 recruits. To maintain force projections, a new class of 30 recruits began training December 8<sup>th</sup> and will graduate in June 2009.

This slight decline in the sworn force comes after 131 officers were added in CY07, making the January 2008 force level of 2,218 the highest since 2000. Along with the 37 graduates, 6 officers from other police departments joined the BPD this year.

Police classes in the academy generally experience an attrition rate of 12%. The most recent class began with 60 recruits and lost 23 at the time of

graduation, a 38% attrition rate. This matter will be discussed further in January's *Bureau Update*.

The sworn force level represents the number of officers fully trained to perform the duties of a police officer and excludes recruits or officers still in training. However, approximately 10% of the sworn force is unavailable for duty at any given time due to injury, leave, light duty restrictions, or other reasons. As of December 9<sup>th</sup>, 8.5% of the sworn force was not available for duty.

The small reduction in the sworn force this year comes after four years of growth from CY04 to CY07, during which 226 officers were added to rebuild the force after budget cuts in FY03 and FY04. From FY02 to FY04, local aid was cut by 8.2% and the BPD budget was reduced \$8.2M, causing the force level to decrease by 169 officers. With expected local aid cuts of up to 10% in FY10, the City will be challenged in maintaining force levels next year.

**BPD Sworn Officers, Change Over Prior Year  
CY2000-CY2008**







**Report Binder**  
**Stock No./Color**

8O571	Black
8O572	Lt. Blue
8O573	Dk. Blue
8O578	Rust
8O579	Exec. Red

MADE IN THE USA

